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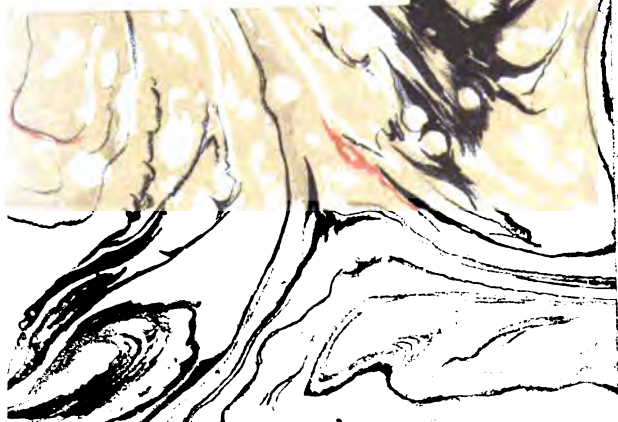
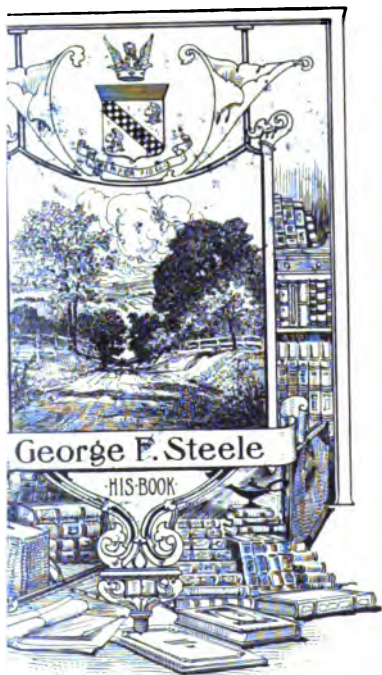
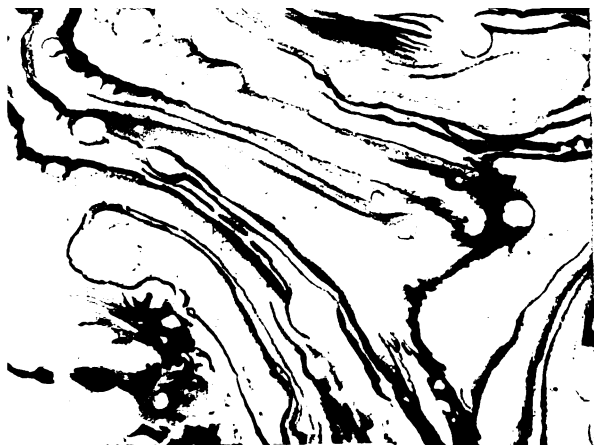
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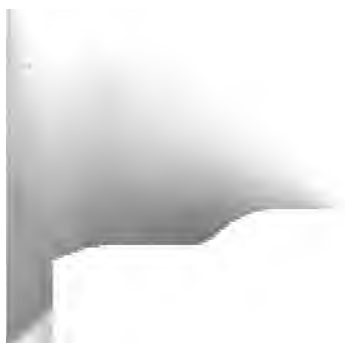
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**HOUSE OF REPRESENTATIVES
SIXTY-SECOND CONGRESS**

**PROCEEDINGS
OF THE
Committee on the Merchant Marine
and Fisheries**

**IN THE
Investigation of Shipping Combinations**
x

**UNDER
HOUSE RESOLUTION 587**



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1913**

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INVESTIGATION OF SHIPPING COMBINATIONS.

TUESDAY, JANUARY 7, 1918.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman), presiding.

Present: Representatives Hardy, Collier, Ayres, Stone, Faison, Stephens, and Thayer.

[H. Res. 587, Sixty-second Congress, second session.]

Resolved, That the Committee on the Merchant Marine and Fisheries be, and is hereby, empowered and directed to make a complete and thorough investigation of the methods and practices of the various ship lines, both domestic and foreign, engaged in carrying our over-sea or foreign commerce and in the coastwise and inland commerce, and the connection between such ship lines and railroads and other common carriers, and between such lines and forwarding, ferry, towing, dock, warehouse, lighterage, or other terminal companies or firms or transportation agencies, and to investigate whether any such ship lines have formed any agreements, understandings, working arrangements, conferences, pools, or other combinations among one another, or with railroads or other common carriers, or with any of the companies, firms, or transportation agencies referred to in this section, for the purpose of fixing rates and tariffs, or of giving and receiving rebates, special rates, or other special privileges or advantages, or for the purpose of pooling or dividing their earnings, losses, or traffic, or for the purpose of preventing or destroying competition; also to investigate as to what methods, if any, are used by such ship lines, foreign or domestic, and railroads and other common carriers, or of any of the companies, firms, or other transportation agencies referred to in this section, to prevent the publication of their methods, rates, and practices in the United States; also to investigate and report to what extent and in what manner any foreign nation has subsidized or may own any vessels engaged in our foreign commerce; also to investigate and report to what extent any vessel lines and companies, or any of the companies, firms, or transportation agencies referred to in this section, engaged in our foreign or coastwise or inland commerce, are owned or controlled by railway companies, by other ship lines or companies, or by any of the companies, firms, or transportation agencies referred to in this section, or by the same interests and persons owning or controlling railroad companies, ship lines, or other common carriers, or any of the companies, firms, or transportation agencies referred to in this section; and said committee shall further investigate whether the conduct or methods or practices of said foreign steamship lines are in contravention of our commercial treaties, or in violation of our laws, and what effect said methods and practices have on the commerce and freight rates of the United States; and shall further investigate what effect such combinations, agreements, understandings, working arrangements, and practices of railroads and our coastwise and inland shipping lines, or of railroads and such shipping lines and any of the companies, firms, or transportation agencies referred to in this section, or of railroads and over-sea shipping lines, whether domestic or foreign, if any are found to exist, have on the commerce and freight rates of the United States, and whether the same are in violation of the laws of the United States.

Sec. 2. That said committee shall report to the House all the facts disclosed by said investigation and what legislation, if any, it deems advisable in relation thereto.

Sec. 3. That said committee, or any subcommittee thereof, is hereby empowered to sit and act during the sessions or recess of Congress at such place or places as may be found necessary and to require the attendance of witnesses, the production of books, papers, rates, tariffs, and other documents, by subpoena or otherwise, to swear such witnesses and take their testimony orally or in writing.

Sec. 4. That said committee is hereby authorized to employ such counsel and experts and clerical and other assistance as shall be necessary to perform its duties hereunder.

Sec. 5. That the Speaker shall have authority to issue subpoenas for witnesses, upon the request of the committee, during the recess of Congress in the same manner as during the sessions of Congress.

The CHAIRMAN: Gentlemen, we meet this morning for the purpose of beginning public hearings in pursuance of H. Res. 587, under which the committee is authorized and directed by the House of Representatives to investigate our domestic and foreign shipping lines, and other matters referred to in the resolution.

Of course, this investigation has been going on since last May, or the latter part of April, but in the opinion of the committee it was thought proper to have some public hearings for the purpose of making our investigations more complete, and to ascertain certain facts that do not appear clearly from the information already in the possession of the committee.

Our first purpose is to consider the subject as related to lines operating between the United States and Brazil. In other words, the shipping lines engaged in the foreign trade will receive the committee's first consideration. Mr. Sidney Story, of New Orleans, is here. We will call him as the first witness.

**TESTIMONY OF MR. SIDNEY STORY, VICE PRESIDENT OF THE
PAN AMERICAN MAIL STEAMSHIP CO., NEW ORLEANS, LA.**

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Story, you will please give the stenographer your name, your place of residence, and your business.

Mr. STORY. Sidney Story, New Orleans, La.; Pan American Mail Steamship Co.

The CHAIRMAN. What is your relation to that company?

Mr. STORY. One of the vice presidents.

The CHAIRMAN. Now, Mr. Story, you may go ahead and in your own way state what you may know, or have ascertained by investigation, in reference to our trade with South America, as related to the shipping lines engaged in that trade.

Mr. STORY. I would ask permission, Mr. Chairman, in order to give you an idea of the value of the information which I will give, to go back briefly to 1900, the time at which the movement was started by our Business Men's League, in New Orleans, for the establishment of an American steamship line from our port to South America.

I have had considerable to do with gathering information in regard to South America as far back as 1887, when I was on the Panama Canal with Count de Lesseps, at the time the French were at work. I, on many occasions, delivered lectures in our country on the Nicaraguan route, and that study enabled me to obtain a great deal of information in regard to Latin America. In 1900 our Business Men's League began to agitate the question of an American transportation line to Argentine and Brazil. The National Board of Trade, in convention assembled in Washington in 1905, by a resolution indorsed this movement of New Orleans. The business exchanges throughout

the Mississippi Valley indorsed the movement, and in 1910 our people concluded that the time was ripe to install a service of that kind, and we got busy with the idea of interesting capital.

About that time Brazil, through her Commissioner, who was then visiting the United States, invited us to come to Brazil and talk the matter over, as she was anxious for the establishment of an independent line between the United States ports and Rio de Janeiro. I was selected by the Business Men's League to go to Brazil and submit our plan to that Government. I carried with me credentials from the governor of our State, the mayor of our city, our business exchanges, and also a letter from Mr. Knox, our Secretary of State, to our American ambassador, Mr. Dudley.

On arrival at Rio I submitted our plans to the President of the Brazilian Republic and his ministers, and they all approved the idea, and Brazil stated through her executives that she was anxious to see such a line established, an independent line, and would be prepared to aid us financially in the way of subvention or a mail contract if our Government would do likewise, and these promises and pledges on the part of Brazil were put in writing.

I returned to the United States in April, 1911. Brazil, in order to show her earnestness in this matter sent two envoys to the United States to reaffirm these pledges, Dr. Eugenio Dahne and Dr. Gaston Reys. They appeared before some of our exchanges, visited Washington, and after assuring themselves that our proposition was bona fide and correct in every particular, they went back to Brazil and made a report that the Government could go right ahead and aid us and encourage us as much as possible.

In July, 1911, I returned to Brazil and began negotiations with the Government for aid to this independent American effort, predicated, of course, upon our receiving some aid from our own Government. The petition which I filed with the Government received the approval of the President, Mareshal Hermes da Fonseca; the minister of commerce, Dr. Pedro de Toledo; and the minister of transportation. To make a long story short, it was approved by the merchant marine committee of the Congress and also indorsed by the finance committee, and is still on the calendar. The Congress came to an end and we did not have time to put the measure through the Senate, so I returned in January, 1912, to the United States with a letter from the ministry of Brazil, stating that as soon as our line would be inaugurated, and our Government would show a disposition to assist an American effort, that I could return and put the Brazilian bill through the senate and the President would sign it.

In 1912, I think about the month of June, our organization, the Pan American Mail, started from New Orleans to Brazil and Argentina. We started with chartered ships. We found it very difficult at first to get any ships at all, but by paying a high charter rate we finally got them. They were British ships—British tramp ships. We had all the freights we could carry to South America. In fact, the three ships that were chartered had sailed from our port loaded to full capacity, and our company even refused at one time over 12,000 tons of freight, southbound.

We have been obliged to withdraw our line from the trade, for the reason that all our ships came back without a pound of cargo, and naturally with a loss. During our campaign through some of the

cities of the Mississippi Valley, especially, the moneyed men of our Nation, our business men, always maintained that we could not operate an American line for the reason that there existed shipping combinations that controlled the shipments northbound, and would not permit the establishment of another fleet, and for that reason the moneyed men, or capitalists, were not prepared to invest their money in an enterprise—in an American shipping enterprise—unless they were assured either that we could get northbound cargoes to make the proposition paying, or, in addition, governmental aid in some fashion, so as to safeguard their investments.

Some of our people interested in this Pan American Steamship Line said they would try the experiment with chartered ships, and while the ships went down loaded to full capacity, with cargoes from the United States, they came back empty, and naturally with a loss, and our people decided that under the circumstances it was better to withdraw from the trade and wait until some time when our Government would really understand the situation as it really exists, and would legislate in some form or other to protect the commerce of our country, as well as encourage our American shipping.

I want to say, furthermore, that this Pan American Mail Line from New Orleans to Brazil and Argentina was a civic effort on our part, and no man in it owns more than \$500 worth of stock. Therefore it was not a private enterprise with private axes to grind or a ground-floor stock-jobbing proposition. It was a civic effort and the State of Louisiana, as far back as 1910, realizing the need for American steamship lines to South America, at a general election called for that purpose, amended her constitution to the extent of exempting all such efforts from taxation for a period of 15 years.

Our idea was to disseminate or distribute this stock among the shippers and merchants of the Mississippi Valley through the public exchanges, to make this the initial step, as it were, in the restoration of the American merchant marine.

My trips to Brazil and my associations in that country with Government officials and otherwise enabled me to gather a great deal of knowledge and information in regard to the methods employed by our commercial rivals in keeping the United States from developing too rapidly a commerce with our sister republics on the south. There is no doubt in the world that there is a great war being waged against the commerce of our country by our aggressive commercial rivals. When I was in Brazil last, negotiating with the Government for aid to this American effort of ours from New Orleans, it was openly stated on the streets by the friends of the European lines who control the monopoly of transportation between North and South America that our line would not be permitted to exist; that we would be run out of the trade in from four to five months.

I talked with the shippers in that country and I find that the shippers are all anxious and desirous for us to establish independent lines from the United States; to emancipate them, as it were, from the tyranny of the monopoly which has existed all these years. But the shippers in Brazil—perhaps more so than even the importers in the United States from South America—are very timid about giving any information, because they fear the condign punishment of the transportation lines which operate principally from New York to Argentina and Brazil.

The CHAIRMAN. In that connection, will you state what lines those are?

Mr. STORY. Those lines are the Lamport & Holt, the Prince Line, and even the Lloyd Brasileiro at one time, of course, had a working agreement with these European lines. Whether they have to-day or not I do not know.

The CHAIRMAN. Is the Hamburg-South American Line to be included?

Mr. STORY. And the Hamburg-South American. The consensus of opinion in Brazil is that it is impossible for the commerce to develop properly between Brazil and North America without the aid of American transportation lines. The Brazilians will say that we are their biggest customer; that we buy \$100,000,000 worth of coffee from them and \$30,000,000 worth of rubber and other things, and only sell to Brazil some \$30,000,000 worth of American goods, and that there is a trade balance against the United States of \$100,000,000, which they spend in Europe among European manufacturers and which they could just as well spend in the United States if we only had the means of transportation.

The South Americans, notably the Brazilians, travel to Europe because between Rio and Europe, as between Buenos Aires and Europe, there exists all the way from 10 to 12 lines of steamers having magnificent passenger accommodations as well as freight service. And the result is that South Americans—Argentinians and Brazilians—go to Europe instead of coming to the United States, and naturally people buy where they travel. These European lines naturally are working for Europe. They are working for their own country, and they are backed naturally by their merchants and their Governments so as to keep the commerce flowing between Europe and South America and prevent its too rapid development between North and South America along longitudinal lines.

The Brazilians say, "We want to trade with you. We would like to go to the United States and spend this \$100,000,000 of trade balance which is against you, but you do not have any American transportation lines. Give us a good cargo service and a good passenger service, and we are willing to aid in your efforts, and our people will travel to North America and will buy their goods in North America, and instead of their being a trade balance against you of \$100,000,000, why, the trade will be more equally divided."

There is a great complaint, in Brazil especially, in regard to the delivery of our mails. They say in Brazil that Uncle Sam has the worst postal service in the world; Europeans tell them so. There never is any trouble about the delivery of European mails, but there is a great deal of trouble about the delivery of our mail from the United States; and oftentimes if it does not go down from New York on slow-moving ships, it does go to Europe first before it goes to Brazil or Argentina, and there have been instances, I am told, where our mails have even been forgotten in the holds of the ships and taken down to Buenos Aires and back to New York and again down to Rio de Janeiro. I was talking a while ago with a gentleman friend of mine in Louisville, Mr. George Washburn, who told me that a letter written to him from Rio de Janeiro had reached him nine months afterwards. When I left Rio de Janeiro for the United States

in January, 1912, I wrote to our office about two weeks before I sailed, and that letter did not reach the president of our company until about 40 days after I reached the city of New Orleans.

There is great complaint in South America—in Brazil—among our people in reference to the cable service as well. It seems that all these various interests seem to work hand in hand, and there is a method in it all, and that is to keep out American freight and to hinder this American commerce. Cable messages have been sent to the United States again and again in which the words have been transposed so as to make the meaning obscure, whereas these conditions do not exist between Europe and South America.

We find that our commercial rivals, the Europeans, are very aggressive in carrying on a propaganda throughout the press. There is not a day but what you take up the newspapers of those countries and you will find a whole column devoted to Switzerland, or Holland, or Belgium, two columns to France, Italy, and England, and to the United States possibly two or three small lines. Or if it is a paragraph or two it refers to some objectionable items like divorce cases in Nevada or lynchings—items of that character. It may not be amiss just to call attention to one or two, for instance, to give you an idea of what the war means and what must be done.

For instance, here is an excerpt from the *Gazeta de Noticias* of Rio de Janeiro, the 21st of December, 1911. The heading of it is, translated, "Argentina and the United States," and it goes on to say—it is a dispatch from Paris—that a great discovery has been made about the perfidious manner in which the United States obtained the contract from Argentina for the construction of her battle-ships, and that our American minister had obtained this contract for our American shipbuilders with the understanding that our Government was to lend to Argentina a sufficient number of battle-ships to protect her against Brazilian aggression. All of which, naturally, is done to fan the flames of prejudice against North America.

Here is, for instance, an excerpt from an English publication—because they have English publications in most of the large centers of South America, and the Europeans control, by influence or otherwise, certain native newspapers. The cable service is in the hands of the Europeans and the news service is in the hands of the Europeans, and all the news from North America to South America is first censored in Europe before it reaches South America, and vice versa.

The cable service is in the hands of the Europeans, and the news service is in the hands of the Europeans, and all the news from North America to South America is first censored in Europe before it reaches South America, and vice versa, the object being to keep the two sections of the western hemisphere as much apart as possible. We are pictured to the South Americans as northern barbarians, to keep them away from us, and South Americans are pictured here to us as a lot of revolutionists, so as to keep our people from investing in that country.

Now, here is a little example of what some of the English papers say. This is from the *Standard*, of Buenos Aires, and I just want to read one paragraph, if you will permit me. It is a reference to the

mobilization of the United States Army on the borders of Mexico.
[Reading:]

History, more especially disreputable history, has a most unhappy knack of repeating itself, and it would almost seem that the North Americans who dwell close to Mexican territory are bent on making trouble with the Mexicans as they did in 1836, and later in 1846. This they can afford to do, for the Mexicans standing alone, and unhelpt by the rest of Latin America, would be unable to cope with their gigantic neighbor, but it might happen that the Latin races in the south would combine to help Mexico in a life or death struggle with the Yankees. Because the southerners might with some justice imagine that the conquest of Mexico by the Yankee Nation would only be a prelude to the eventual overrunning of the whole of the Latins on the American continent, which would be about as great a curse as any that could fall upon the civilized world of today. If all the Latins combined they would make it very uncomfortable for the Yankees, in spite of the latter's 75,000,000 of population, for amongst the Latin Americans are some of the very finest fighting material in the world. Good as the Yankee bluejackets are, it is doubtful if, man to man, they can claim an iota of superiority over the bluejackets of Chile for instance.

It does not seem to me an impossible dream, or a thing beyond the range of practical politics, that ere long an offensive and defensive alliance may be entered into by all the Latin races of South America, and any trouble that may arise between the Yankees and the Mexicans may tend toward bringing this about. Such an offensive and defensive alliance would be unquestionably a statesmanlike act upon the part of the strongest and the weakest of the various republics, and the man who brings such an alliance into being will be the savior of the South.

I simply read this to show you that there is a movement on foot all the time to urge Brazil, Argentine, and Chile to form an alliance to protect it against the aggression of North America.

Not long ago I read in the papers of Guayaquil a dispatch from London to the effect that it was North America which was fomenting the revolution in Ecuador for the purpose ultimately of acquiring the Galapagos Islands.

Here is another little excerpt that refers to the manner in which Uncle Sam is trying to steal Central America. Here is, for instance, another item—dated the 29th of August last, from the *Journal do Comercio*.

Here is a dispatch from London to the Brazilian press, which refers to the Senate resolution introduced by Senator Lodge, having reference to the acquirement of territory by foreign nations on the Western Hemisphere, notably Magdalena Bay. This dispatch from London says that the Senate of the United States passed a resolution prohibiting the acquirement of property by foreigners on the Western Hemisphere, and goes on and characterizes the resolution as a piece of insolent arrogance and presumption, and calls upon Latin-America to form this alliance against the Monroe doctrine, which is nothing less than a club which North America wants to hold over them, and here is the editorial of the *Journal do Comercio*, which even with its pro-British or pro-English or pro-European sympathies could not help in its editorial commenting on the news dispatch to denounce and call the European nations attention to the fact that they had to stop that sort of thing, and that they in Brazil would not stand for the transplanting to the Western Hemisphere of those perfidious tactics which had resulted in the past in bringing about so many wars and dissensions between the countries of the world.

To show that the Brazilians are in earnest about trading with the United States I will refer to the proffer of assistance to our line. Here is a dispatch from the newspapers of that country, recently received, which shows that they subsidized an Italian line, giving it \$500,000 a year for five years, which was the aid that they proposed giving to our

Pan American Mail as soon as we could show them that our Government was going to do something, if not as much, half as much at least, in some form or other to help this American effort. The Italian bill was introduced simultaneously with our North American bill, and Brazil looks upon Italy and the United States as the two countries she has got to tie up with—Italy for immigration and the United States for capital, commerce, enterprise, and energy.

Mr. HARDY. The Brazilians have subsidized that line.

Mr. STORY. Sir?

Mr. HARDY. The Brazilians have subsidized that line.

Mr. STORY. This Italian line.

In December, or recently, I was in Chicago during the visit of Count Candido Mendes de Almeida, who is the biggest commercial man in Brazil, and president of the chamber of commerce, and all these matters were discussed before the business exchanges of that city, and the consensus of opinion in Chicago, as it is at St. Louis and other centers, is that all the money necessary to the establishment of American lines from the Gulf ports or from the Atlantic ports or the Pacific ports will be forthcoming, just as soon as it is made clear to the American business investor that our country is going to legislate in same form to protect our commerce against the aggressions and arbitrary tariffs and rulings and discriminations of foreign steamship lines, as well as enact such legislation as will encourage the capital of our country to invest in American transportation lines.

Mr. HARDY. By "such legislation" do you mean legislation that will prevent cut-throat methods? Is that the sum and substance of the whole thing?

Mr. STORY. Such legislation as will prevent cutthroat methods; such as will prevent rebating; that will put the transportation lines between our country and South America, or between our country and the rest of the world, for that matter, no matter whether those transportation lines are American or otherwise, under some governmental supervision that will prohibit rebating, such as the railroads in this country under Interstate Commerce ruling are prevented from doing.

I wish to say, as another evidence that Brazil is anxious and desirous of trading with the United States, that during Mr. Dudley's residence in Rio as our American ambassador, there was negotiated an understanding or enacted a bill giving the United States 20 per cent reduction preferentials on over 19 articles manufactured in our country, like cement and pianos, and furniture, and stuff of that sort, and 30 per cent preferentials on American flour.

The CHAIRMAN. Duties?

Mr. STORY. Yes; over all other nations. Well, even with these advantages in favor of the American product, it is very difficult for our people to get in there, for the reason that the rates of freight, which are fixed by these preferential lines, are such as to absorb practically the preferentials, and, as I explained to our ambassador at Rio at the time, "Instead of helping Brazil or the United States commerce you have practically played into the hands of the European shipping trust, because they are the ones that get that benefit, and even with 30 per cent preferential such people as the Washburn-Crosby people of Minneapolis will tell you it is a very difficult thing for our American flour manufacturers or millers to

get into that country." There is only one concern, practically speaking, that sells any American flour in North Brazil, and that is a concern by the name of Holt & Co., New York millers.

The CHAIRMAN. As I understand, preferentials are 30 per cent in favor of the United States on flour?

Mr. STORY. Yes, sir; and 20 per cent on 19 other articles manufactured in our country; and Holt & Co. seem to have been able to get their flour into North Brazil. They do quite a business in North Brazil and Pernambuco and up the Amazon River. The Washburn-Crosby Co., of Minneapolis, did make a fight to get in. I think they are selling some flour in Pernambuco, but they complain it is very difficult for them to get into Brazil, even with the 30 per cent preferentials in favor of American flour.

The same thing holds good in reference to other articles, for instance, American cement. There is an importer in Rio de Janeiro by name of Kramer; he imported a cement of American manufacture, for the reason that Brazil had given 20 per cent preferentials on American cement, so as to enable the American cement manufacturers to meet competitive prices in Brazil, because Brazil had always been getting her cements from Belgium, Germany, and other countries, and it was always stated that American cement was very bad; that it could not be used; that it was useless; and Brazil is using vast quantities of cement. They have no cement in Brazil. She is using vast quantities of it, because she is building immense port works in all her harbors, and she is building sewer systems in all her cities, and she is modernizing all the cities, and vast quantities of cement are required. This American cement gave great satisfaction, so much so that the people would not have anything else, and they wanted this cement, and Mr. Kramer put in a big order in the United States for this cement, but the conference lines, which are nothing else but the European lines, who control the trade between our country and South America, increased the rate of freight, thereby absorbing the 20 per cent preferential and forcing the cement orders to Europe.

The CHAIRMAN. You refer to those you have named, do you?

Mr. STORY. Just the three I have named. They raised the rate of freight, when they heard of this second order for American cement, to such an extent that it was impossible for Mr. Kramer to import any of this cement, and the order was finally forced over to Europe. Mr. Lay, our consul general in Rio, apprised me of this fact, and I have here his original letter and that of Mr. Kramer complaining about these conditions, and Mr. Kramer shows that where the rate of freight was increased on the second shipment to such an extent that he had to cancel the order it was impossible for him to do business with our country. Now, that is simply an example to show how we are checkmated in South America because of the fact that we have no delivery wagons, no shipping of our own, that \$500,000,000 of commerce done between South America and our country per annum is carried in foreign bottoms, in the bottoms of big commercial rivals. The Europeans, whose arbitrary freight rates are established in a way so as to prevent the development of our commerce with those countries and to which we pay millions of dollars annually to carry these freights and at the same time help to maintain a system to cut

our own throats commercially, help to maintain a system that will keep us out of those markets and keep us from getting trade which otherwise ought to be ours if we had American transportation lines or our own delivery wagons to deliver our own goods to our customers instead of hiring the delivery wagons of our competitors.

The CHAIRMAN. Do you wish to insert those in the record?

Mr. STORY. I have sent you a copy of this, Judge.

The CHAIRMAN. Give the stenographer the data in reference to this subject so that it may go in the record at this point.

AMERICAN CONSULAR SERVICE,
Rio de Janeiro, September 28, 1911.

DEAR MR. STORY: I regret having missed you when you called this morning before my train arrived from Petropolis.

Regarding the official letter, which you request, concerning the rates on cement from New York, I do not feel that I could, without breaking confidence with the gentleman who gave me the information, furnish you with such a letter; but I would suggest that you have a talk with Mr. Kramer, to whom I inclose a card of introduction.

Sincerely, yours,

JULIUS G. LAY.

RIO DE JANEIRO, *September 27, 1911.*

SIDNEY STORY, Esq.

DEAR SIR: Referring to conversation had, I do not hesitate to explain matters a little more in detail by writing.

Cement.—In February, 1910, I placed in the United States the first order of importance ever given for American cement and I was only able to compete with English and American cement, owing to the preferential tariff (20 per cent rebate) of duties, which the United States enjoy on this article. In January, 1911, I placed a somewhat larger order for same goods, but I already saw the unwillingness of the steamship companies to allow me the same rate of freight viz., \$3.60 per ton weight, but finally I was able to carry it through. In about June, 1911, I wanted to place quite a large order, of course always based on the same rate of freight, but the British steamship companies positively refused it, asking \$4.20, which, of course, is a prohibitive rate, and no further business can be done until we obtain from some steamship company the former rate.

Flour.—Very little American flour can be sold in the markets of South Brazil compared with Argentine and Brazilian flour, and this is only due to the fact that when the United States Government obtained the preferential tariff (20 per cent rebate) the steamship companies immediately raised their rate of freight, thereby canceling the difference in cost obtained through lower duties. When the United States Government obtained a further 10 per cent, making it, as at present, 30 per cent rebate on duties, the steamship companies again raised their rates, so that the United States Government practically worked for the British companies and the cost to-day, taking equal prices in consideration, is higher for American flour, as before when there was not any rebate on duties for flour.

Conclusions you can draw your own, as I think evidence is sufficient.

Yours, sincerely,

F. KRAMER.

Mr. STORY. You take the item of coal, for instance, in Brazil or Argentina. Now, those countries have no coal at all, and the coal is supplied from Cardiff, in Europe, and coal ranges in price all the way from \$10 to \$25 and \$30 per ton. Sometimes on the La Plata it is \$25 to \$30 a ton. In Brazil, I remember when the United States battleship Delaware, carrying the body of the Chilean minister, stopped in the Bay of Rio, they took on 2,000 tons of coal there and paid \$18 a ton for it. Now here is a splendid field for American coal, although there is an educational campaign all through that country

to the effect that American coal is very poor; that it can not be used for any purpose; that even the coal that is supplied to our war fleets in the United States comes from Wales. Here is a magnificent opportunity, with American transportation lines, to develop a great business in coal. And one of the general comments, one of the universal comments—and to the surprise of all South Americans—is that when our battleship fleet went around the world and stopped at Rio, to the surprise and amazement of all those people, after viewing this magnificent armada flying the flag of our country, to observe that all the supply ships to the number of some twenty-odd were all under foreign flags. They could not understand it, and great surprise is expressed in Buenos Aires, in Rio de Janeiro, and all through South America that they never see the American flag at the stern of a merchant ship.

You can travel for a year around the Southern Hemisphere and you will never see the United States flag, unless it be at the stern of an occasional man-of-war that visits these waters, or on some pleasure yacht, but never at the stern of a merchantman. They often comment on the fact that we are building a great canal to unite the two oceans, to shorten the routes of trade, to create new routes of commerce, and at the same time we have not got a single American ship to take advantage of it, and we are a puzzle to them, because they admire our country and at the same time they know that we are an intelligent race, progressive and aggressive, and yet to them in the international game we appear to be fools, because we are building a great waterway for the benefit of our commercial rivals, who are going to use it, and they do not understand why we can not put in American transportation lines, and they look to us to do it and they are willing to assist us.

Now, the conditions that govern in the Amazon district are about as bad, perhaps, as any to be found. The transportation on the Amazon, between the Amazon and Europe, or to the United States, is entirely in the hands of Europe, and the Booth Line, which plies from New York up the Amazon, is a European concern, and the rates of freight are so high that it makes the cost of living in the cities along the banks of the Amazon, as far north as Iquito, very high, and the rates of freight to the United States on rubber are such that Brazil is practically losing out on the rubber proposition and faces to-day a rubber crisis, because it has enabled the development—has stimulated the development—of rubber production of the Orient, Sumatra, and the Straits Settlements, and it is only a question of time, Brazil says, when the rubber industry of her country is going to be destroyed unless something is done, and that is the reason why the people of the States of Amazonas and Para are willing to subsidize an American independent line that will operate from the United States up the Amazon to Manaoas. And Brazilians say it behooves America to come forward and assist in the development of this line, because she is just as much interested as Brazil in this rubber proposition, for the reason that if we permit the destruction of the rubber industry of Brazil we will be absolutely in the hands of the English rubber production of the East, and our manufacturers, when they wake up, will find themselves tied hand and foot; and therefore we need to protect our manufacturers in this country in the rubber industry and

the rubber importation, as well as to stimulate the development of commerce from our country to that vast and enormous basin of the Amazon. We need an American independent transportation line to the east coast of South America as well as to the west coast of South America.

I have a letter here from a gentleman who at one time was president of Peru, asking that our people extend a line to the west coast of South America, touching at Peru. I have a letter here from the people of Venezuela. They are crying aloud for an independent American line to emancipate them from these conditions that govern throughout all South America, and we find that the whole world is getting ready for this great canal that we are building, adjusting its shipping so as to take advantage of the shortened routes of trade and commerce. We find that Ecuador is joining hands with Japan in the subsidizing of a line. We find that Argentine and Mexico are joining hands in the subsidizing of a line to the extent that Argentine to-day is selling flour in the West Indian Islands and in Costa Rica and Mexico as against United States flour. We find that even Russia and France recently, in the Chamber of Deputies, passed a bill subsidizing a line to the West Indies and South America. The whole world is doing it, and the United States seems to be the only country that has not taken any action in the matter.

Our people all through the Mississippi Valley and all through our country from east to west, in fact, from New York to the Pacific coast and from Minnesota to the Gulf, are studying this Latin-American situation. They want to reach out for Latin-American trade. They see its vast possibilities, but they realize the hopelessness of expanding our American commerce to that fair proportion which a nation of this kind ought to have, simply because of the lack of an American transportation service from the Atlantic and from the Gulf and from the Pacific, and it is absolutely impossible, in view of the combinations which exist in the ocean-carrying trade of the world, and especially as regards South America and North America. It is impossible for us to build up an American independent line unless we can be assured of return cargoes for freights, and unless we can be assured of some governmental assistance in the development of the fast passenger mail service to stimulate the development of commerce, and it has been often stated on the streets of Rio de Janeiro that these conference lines, three of which I have just named, the Lamport & Holt, the Prince Line, and the Hamburg-South American Line—are all in a working agreement; in fact, a copy of the printed form which constitutes a contract between those conference lines and the shippers of South America I sent to the honorable chairman of this committee, and that form sets forth the rebates that are paid to the shippers of 5 per cent on a shipment of 100,000 bags of coffee and 10 per cent rebate on 300,000 bags of coffee, and it is an open secret among the people that whatever shipper violates this agreement by patronizing an independent line, now existing or which may hereafter exist, as was stated, that they would be further penalized by the said lines refusing, so it is reported on the streets of Rio, from accepting or receiving any freights for said shipper for either Europe or the United States.

The CHAIRMAN. At this point will you put that form of agreement in the record?

Mr. STORY. Yes. I believe I mailed it to you.

The CHAIRMAN. At this point you may identify this memorandum of agreement by stating whether it is the form to which you refer.

Mr. STORY. Yes; that is the memorandum that I refer to.

The CHAIRMAN. You mean that is the agreement?

Memorandum of agreement, dated the ———, between the Royal Mail Steam Packet Co., of London, the North German Lloyd, of Bremen, the Hamburg American Line and the Hamburg South American Steamship Co., Lamport & Holt Prince Line Steamship Co., represented by the undersigned agents, hereinafter called the Combined Lines, of the one part, and Messrs. ——— of the other part.

1. That Messrs. ——— shall, commencing from the ———, employ exclusively the steamers of the Combined Lines for their shipments of coffee, whether direct or with transshipment from Rio de Janeiro and [or] Victoria to or via the ports of Antwerp, Rotterdam, Amsterdam, the Rivers Weser and Elbe, and to ports in the United States to the lines hereinafter mentioned.

2. In consideration of the foregoing each of the Combined Lines will pay to Messrs. ——— 10 per cent rebate on the freights of the quantity of coffee carried by its steamers, shipped by Messrs. ——— as aforesaid. Payment of the rebate is to be made within three months after August 31 of each year. No rebate to be paid on additional freight in case of transshipments from the ports mentioned in clause 1. If shippers should fail to fulfill their obligation to any of the lines, their claim for rebate to become forfeited with all Combined Lines.

3. The Combined Lines agree to charge equal rates of freight, and that during the continuance of this agreement they will carry the coffee of Messrs. ———, as required, at a rate of freight which shall not be more than 5 shillings sterling per ton in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, it being, however, understood that this rate of freight shall never be below 25 shillings sterling and 5 per cent per ton.

4. In case the Combined Lines fail to supply the available tonnage required at the above rate of freight by their own or chartered steamers within a reasonable time, say, 14 days from the date of requisition, or if their current rate be not in accordance with what is stipulated in clause 3 of this agreement, Messrs. ——— shall be at liberty to ship in an outside vessel or vessels, without prejudice to their right to rebate under this agreement, but in the latter event they shall, before engaging, produce to the agents of the Combined Lines in Brazil evidence as to the rate of freight at which they could ship by the outsider. It is understood that Messrs. ——— will not offer, directly or indirectly, any tonnage of theirs to other shippers at a lower rate of freight than their own rate.

5. This agreement to be valid until August 31, 1910, and to continue unaltered for a further year, and so on from year to year, unless three months' notice be given from the other side.

6. All disputes arising from this agreement shall be referred to arbitration in London under the terms of the arbitration act 1889. In any such arbitration all protests, certificates of brokers, surveys, and other mercantile documents shall be admitted in evidence for what they are worth.

7. Shipments by outside steamers up till the date of signing this memorandum are not prejudicial to the rebate.

In witness whereof the parties have caused the respective common seals to be hereunto affixed the day and year first above written.

Rio, the year and date aforesaid, August 31, 1909.

Mr. STORY. That is the memorandum; that is the form of the agreement.

The CHAIRMAN. Do you wish, also in that connection, to include this paper entitled "Claim for rebate"?

Mr. STORY. Yes; and in connection with that I should also file this memorandum, which is a copy of a resolution which was passed by the combined lines referred to and was sent to me from Brazil by Mr. Sutter—Charles Sutter, of St. Louis—who has just returned from a visit to that country.

[Prince Line (Ltd.). Agencia No. —, Rio de Janeiro. Newcastle-on-Tyne.]

CLAIM FOR REBATE.

RIO DE JANEIRO,¹ ———, 1910.

Messrs. ———.

We beg to give below a list of the shipments of coffee we have made from Rio de Janeiro and Victoria by the steamers of your line from September 1, 1909, until August 31, 1910, on the freight on which we are entitled to a rebate of 10 per cent, as per agreement.

We hereby declare that during the period named above we have not been interested, directly or indirectly, either as principals or agents, in other shipments of coffee from the above Brazilian ports to the ports of Antwerp, Amsterdam, Rotterdam, Copenhagen, and the Rivers Weser and Elbe or to ports in the United States of America, by any steamers other than those of the Royal Mail Steam Packet Co., the Hamburg Sudamerikanische Dampfschiffahrts-Gesellschaft, the Hamburg Amerika Linie, the Norddeutscher Lloyd, Messrs. Lamport & Holt, the Prince Line (Ltd.), or the Koninklijke Hollandsche Lloyd.

(Signature must be that of the firm, or of a person duly authorized to sign for the firm.)

(Signature of shippers.) ———.

(Address.) ———.

N. B.—These particulars must accord with the bills of lading of the shipments.

Pap. Uniao Ouyidor 75.

Date of shipment.	Steamer.	Destination.	Marks.	Freight, including primeage.	Per cent rebate.

(On margin:) Shipments at not below conference rates of freight and conditions, to the United States of America by steamers of the National Brazilian Line under the Brazilian flag, will not invalidate claims for rebate.

[Copy.]

SANTOS, January 10, 1912.

At a meeting of the undersigned agents of the Combined Lines Mr. Sandall communicated that Messrs. E. Johnston & Co. (Ltd.) had received a letter from the Rio agents of the Hamburg Lines, Messrs. Theodor Wille & Co., asking for the opinion of the Santos agents of the Combined Lines to a proposal made by the superintendent of the Royal Mail Co. in Rio that the rate of freight to Europe should be raised to 45 shillings and 5 per cent from Santos and 50 shillings and 5 per cent from Rio.

Messrs. Theodor Wille & Co. mentioned that the superintendent of the Royal Mail Co. had already once before, about a month ago, approached them on this subject, but that they had then refused to entertain the idea in view of an advance in freight being, in their opinion, particularly inadvisable while the bill relating to the subsidizing of the Mississippi Valley, South America & Orient Steamship Co. was under discussion in Congress.

After due discussion it was resolved that Messrs. E. Johnston & Co. (Ltd.) be requested to reply to Messrs. Theodor Wille & Co.'s inquiry to the effect that the Santos agents of the Combined Lines strongly disapprove of any advance in the rate of freight, it being their unanimous opinion that such advance would, as pointed out by Messrs. Theodor Wille & Co., be liable to still further indispose the Federal Government against the Combined Lines, and that the danger of competition arising would also be thereby greatly increased.

(Was signed:) Hamburg-Sudamerikanische Dampfschiffahrts Ges.; Hamburg-Amerika Linie; Norddeutsche Lloyd, Bremen; Koninklyke Hollandsche Lloyd; Royal Mail Steam Packet Co.; Lamport & Holt Line; Rederi-Aktiebolaget Nordstjernan (Johnson Line).

¹ This claim will be valid only if presented within three months from this date.

The CHAIRMAN. That is of what date?

Mr. STORY. January 10, 1912, dated Santos, January 10, 1912.

The CHAIRMAN. And signed by the conference lines?

Mr. STORY. Yes; signed by these conference lines, which constitute not only the three lines, the Prince, the Lamport & Holt, and the Sud-amerikanische Line, but also the Royal Mail Packet Co. and the Hamburg-American Line, and the Norddeutscher-Lloyd Line, which, on the face, shows that the European conference lines operating between New York and South America are nothing else but a branch of the European shipping combine.

The CHAIRMAN. What do you know of the Prince Line and the Lamport & Holt Lines having been recently acquired by the Royal Mail Line?

Mr. STORY. In September, 1911, when I was in Rio de Janeiro, it was discussed, not only on the streets, but in the public print, that the Royal Mail Line had absorbed the Lamport & Holt and other lines, and in fact the agent of the Royal Mail Packet Co., Messrs. Wilson & Sons, of Rio, who were the agents of the Royal Mail Line, informed me that this combination had been made and the agency of the Royal Mail Packet Co. was taken out of their hands and put into the hands of the Lamport & Holt people at Rio de Janeiro.

The CHAIRMAN. Does this include the Prince Lines as well?

Mr. STORY. I can not answer positively as to the Prince Line. It was also publicly discussed in the public prints that an offer had been made by the Royal Mail Co. to absorb the Lloyd Braziliario, which is the Brazilian national line, and which Brazilian national line was at that time, and may be for all I know again in working agreement or combination with these European conference lines, operating between the United States and the east coast of South America.

The CHAIRMAN. What reason, or upon what facts, do you base that statement?

Mr. STORY. I base that statement on this analysis, that in one of their agreements, which I remember seeing, it was specifically stated in the agreement that the shippers were prohibited from patronizing any independent lines—the Lloyd Braziliario excepted.

The CHAIRMAN. Just a moment, to see if you have in mind the same clause that we have.

Mr. STORY. Yes; I refer to "Shipments at not below conference rates of freight, and consigned to the United States of America by steamers of the National Brazilian Line, under the Brazilian flag, will not invalidate claims for rebate."

The CHAIRMAN. That is the clause to which you refer, is it?

Mr. STORY. That is the clause to which I refer.

The CHAIRMAN. That is the basis for your statement, is it?

Mr. STORY. Yes; and what further strengthens my belief is that I have read some document or letter in which it was stated that at a meeting of the conference lines, held at Rio, that the conference lines refrained from raising the rates of freight at the time because they feared that by so doing it would prejudice the Brazilian Government against them.

The CHAIRMAN. Is not this that is referred to in the minutes of the meeting of January 10, 1912?

Mr. STORY. Yes, sir.

The CHAIRMAN. You may state whether or not in the subvention under which the Lloyd Brasileiro received a subsidy from the Brazilian Government it is not expressly stated that they should have it only on condition they would not make any agreement with these other lines.

Mr. STORY. No; I do not think it is so stipulated in the act granting them a subsidy, but I know through positive information that the Brazilian Government does not look with favor upon extending the agreement which has existed between the Lloyd Brasileiro and these other European lines.

The CHAIRMAN. But it is not prohibited in the act?

Mr. STORY. It is not prohibited in the act, because they never thought of it at the time.

Mr. STEPHENS. Mr. Chairman, can a copy of the Brazilian act be put in the record?

The CHAIRMAN. No, because we do not have it. Mr. Story, have you any evidence that the agreement of 1908 between these conference lines is still in force? Of course we usually presume a condition to exist until the contrary is shown.

Mr. STORY. I understand it is still in force, and I believe that opinion is well founded in view of the fact that the steamers of the Pan American Mail which sailed from New Orleans in June, July, and August, loaded down with North American products to Brazil and Argentina, came back without a pound of freight, and our agent at Rio informed us that it was absolutely impossible to get a pound of freight in view of the influences exercised by these lines over the shippers; and Mr. Charles Sutter, who just returned from Brazil to St. Louis, also made that statement and so informed us.

Mr. HARDY. Does not this resolution of January, 1912, show substantially the same thing?

Mr. STORY. Practically the same thing.

The CHAIRMAN. The minutes of the meeting of January 10, 1912, tend to confirm your opinion that the agreement of 1908 is still in force between these conference lines?

Mr. STORY. Yes; still in force.

The CHAIRMAN. When your line sought freight from the shippers of Brazil, you say their attitude toward it was one of friendliness. Why would not they give you the cargoes?

Mr. STORY. Simply because the shipper in Brazil is terrorized and does not know his soul is his own, and it would mean absolute bankruptcy to him if he was to patronize an independent line, and that independent line was forced out. He would be penalized; and the conference lines would not only refuse him the rebates, but perhaps refuse to take his cargo also.

The CHAIRMAN. In other words, they take his freight on the conditions mentioned in that agreement, granting him deferred rebates?

Mr. STORY. Deferred rebates.

The CHAIRMAN. One of the conditions is he will not patronize any other lines, and if he should he will forfeit his rebates?

Mr. STORY. Yes; he will forfeit his rebates.

The CHAIRMAN. And be denied any additional shipping facilities?

Mr. STORY. They would deny shipping facilities, and that was the word passed along the line in October, 1911, when I was in Brazil;

they did not put it in writing, but I was informed by people in business that the word had been passed along the line. The threat was made that if they patronized our independent American line when it started, they would not only lose their rebates, but the conference lines would refuse to accept any cargoes for either Europe or the United States.

The CHAIRMAN. Were you offering a better rate than the conference lines' rate?

Mr. STORY. Well, we were not cutting any rates. We never intended to cut any rates, and the rate that we were charging going down and coming back was practically the same rate that is being charged now by the conference lines. There was only one line which I understood had started to cut rates, and that was a line which operated from Mobile to Brazil and Argentina, known as the Munson Line. The Munson Line started from Mobile after the Pan American Line had started from New Orleans. It was frequently stated that as soon as this independent American line started from New Orleans, the shipping combination would put on a line alongside of it to run it out. When the Munson Line started from Mobile to South America, I was in Chicago at that time and I wrote to our people and said, "I believe that this Munson Line is a shipping trust combination proposition," because not only did it start from Mobile after we had started, but, as I understood, was also cutting rates, which a new line would scarcely do on the jump, and was operating steamers from Mobile to Brazil and Argentina, and sending them over to Europe, with no intention to establish a regular and dependable service for developing commerce, which showed to me it was shoved in there for the purpose of running out our line.

And then, following on the heels of that, the Lamport & Holt—they have an agent in New Orleans who receives ships as they come in from the south with coffee, and this agent in September last was booking freights for the *Terrance*, of the Lamport & Holt Line. I met the son of the Brazilian consul at New Orleans on the streets of Chicago last October. He is an American, and his father is a big coffee importer, and he told me that the Lamport & Holt people were going to start a line from New Orleans. Well, I wrote to our people that I believed the combination was carrying out the threat they had made when I was in Rio, as it had reached me that they were going to start in a new line alongside of us to run us out. Our press took that up. The agent of the line denied it, however. When the Pan American boats came back empty, our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage. It was then announced that the Lamport & Holt would not take any freight to New Orleans for South America.

Mr. HARDY. After you had abandoned your enterprise?

Mr. STORY. Yes. You see the conference lines—their object is to confine the commerce of the United States to one port as much as possible, so as to prevent its too rapid development. A line from the Pacific and from the Gulf and the Atlantic would mean a rapid development of American trade, their idea being to confine it as much as possible to one port, and that is New York.

Now, as a matter of fact, the American consul general, Mr. Lay, stated to me, in January, 1912, that he had official information to the effect that at that time there was a hundred thousand tons of freight in the warehouses on the docks at New York awaiting transshipment

to South America, which shows that there is an inadequate service. Besides being primitive, especially in regard to transportation of passengers and mail, it is absolutely inadequate for the purpose of commerce, as I know from a personal experience with Mr. Sutter, of St. Louis. We bought a Victrola for a friend of ours in Rio and paid the expressage from St. Louis to New York, so that it could catch the steamer, and that package remained on the docks in the warehouse there of the company for possibly 30, 60, or 90 days. In other words, the shipment was made in February last year and did not reach Rio de Janeiro until the end of September last.

Mr. HARDY. Let me interject just one question here: Is it not possible, and not only possible but reasonable, to suppose that the purpose of concentrating freight from North America to South America in one large port may be as much to facilitate the railroad combinations and to enable them to transport that freight at a less cost to themselves, and have the rate charged in their own hands, than it would if they scattered their receiving ports all along down the Atlantic to the Gulf ports? In other words, is it not probable that it is just a vast conception of the lines to run the freight into this port from North America to South America, so far as possible, to aid the shipping companies, regardless of the charge to the shipper?

Mr. STORY. No, it is not, for this reason—

Mr. HARDY. Your idea was it had been to keep down development. Now, my idea is that their objection to the establishment of a branch was that it would be more convenient to handle and could be handled more expeditiously and with greater profit to New York. What do you think about this proposition?

Mr. STORY. I will answer you by saying that the majority of the freights from North America to South America are shipped from centers in the valley.

Mr. HARDY. The Mississippi Valley?

Mr. STORY. The Mississippi Valley; yes.

It is cheaper to ship through the Gulf ports if you have the transportation facilities than it is through the Atlantic ports, because it is cheaper to operate down grade than over mountains. And it is for that reason the port of New Orleans, despite the fact that she has no transportation to South America, is to-day an immense coffee importer. In years back all the coffee was imported via New York, and it was not until after our merchants, not only in New Orleans, but the merchants of the valley, made a great hue and cry for the receipt of their coffees from Brazil through the Gulf ports that these conference lines finally put on occasional tramp ships that land coffee on our wharves and leave the port in ballast to go either to Europe or somewhere else.

Mr. HARDY. I have not much faith in the idea of the patriotism of corporations or capital. I believe money seeks its most profitable channel of trade, and corporations, frequently railroads, often ignore the laws of gravity and of nature, too. Going up hill does not make much difference to them if it is a question of money. In order to control and dominate this matter, I do not believe—and I just want to direct your attention to that—it is probably lack of patriotic motives or any desire to favor Europe in preference to America. The purpose they have is to absolutely dominate every pound of freight that goes on the water. Is it not probable they can do that better

by centering their exports from the United States in New York, say, where the bulk of their import comes, than at some Gulf port?

Mr. STORY. No. As I stated before, it is much cheaper to ship by one of the Gulf ports. If the roads operating east and west think the same as you do—which they do in fact—the roads running north and south think the same way, don't you see? Now, it has not been a lack of freights, because we have had freights galore, more freights than we could care for, freights enough to keep six ships busy, which shows that all the development of American transportation lines on the Atlantic, the Gulf, and the Pacific—that we will have all the freights all these lines can carry to the south, because there is business enough in South America to keep these lines busy.

Mr. HARDY. Your idea is they shun the Gulf coast ports just simply to prevent the development of the intercourse between them and South America?

Mr. STORY. Absolutely, because they want to keep the South American field as their preserve. Just as for the last 100 years, European shipping, and notably British shipping, has always been operated in a way to prevent the development of American commerce. The ships that leave Liverpool loaded with the products of British factories; or Hamburg, with the products of German factories; or Havre, with the products of French factories, will sail to the West Indies or South America, unload the products of their manufacturers, come to New Orleans, for instance, and take bulk cargo, like cotton or wheat, and go back; but they will never operate from our port back to those countries, because that would enable our manufacturers to ship by those lines and develop our trade.

There is another example which is possibly more glaring.

Mr. HARDY. Do you mean to say that an empty vessel, coming to New Orleans, will go back by way of Cuba empty when she could get cargo?

Mr. STORY. You mean a foreign vessel that comes from Liverpool to the West Indies?

Mr. HARDY. Yes.

Mr. STORY. They unload those British manufactures—of course, there is always some stuff they bring to New Orleans, but they come in and get our bulk cargoes, and they go back to Liverpool, or Hamburg, or Havre.

Mr. HARDY. Isn't it perfectly natural, if they have a cargo from the West Indies, to carry it from there, and then if they have a cargo for Galveston or New Orleans, to carry that there, and then go back to Europe again? That is a round circuit.

Mr. STORY. Yes.

Mr. HARDY. Is not that natural?

Mr. STORY. Perfectly natural, and what I would do were I in their place.

Mr. HARDY. Is not that a matter of business?

Mr. STORY. That is a matter of business, not a matter of sentiment. It is a matter of business and what I should do were I in their place.

Mr. HARDY. Wouldn't you do it if you were an American shipper—and American ship owner? If you had an American ship and engaged in that business, and if you had a cargo for the West Indies, and then a cargo for New Orleans, and then a cargo from New Orleans to Europe, wouldn't you take that same route?

Mr. STORY. Yes; but American shipping under the supervision of the Government, operated as a dependable and regular line for the purpose of distributing commerce—I could not do it.

Mr. HARDY. Oh, not if you were required to do that.

Mr. STORY. I do not blame the Europeans for taking advantage of every move on the chessboard, don't you understand? But what I am saying is that for the development of American commerce you have to have a regular and dependable service between North and South America.

Mr. HARDY. There is no question about that. I want to get at this proposition of patriotism. Is it not a fact that shipping owned by American capital but under foreign flags pursues just the same course that the shipping owned by foreign capital does?

Mr. STORY. Of course, I could not answer that exactly, but I would say this, that perhaps in a measure it is true, for the reason that whatever shipping may be owned by Americans under foreign flags is so small an equation that naturally they are made to toe the mark and do exactly what the great international shipping combine forces them to do.

Mr. HARDY. Now, Mr. Clews says it runs into hundreds of millions of dollars—I do not remember how many—this American-owned shipping under foreign flags. The point I want to get at is this, that transportation is going to follow the line of traffic. You can not make a line of traffic and make transportation follow it.

Mr. STORY. No.

Mr. HARDY. And yet the purpose of an American going into this matter just to establish a line with all that commerce would be to make traffic follow transportation.

Mr. STORY. And there is traffic; there is ample traffic. There are cargoes galore to the South. There are cargoes galore from the South northward. But there is no necessity to zigzag back and forth.

Mr. AYRES. On that very line, are there any ship lines that sail from Liverpool to your port of New Orleans full and then carry your cargoes to these Brazilian ports and then back to Liverpool?

Mr. STORY. No.

Mr. AYRES. And yet they could carry full cargoes all three ways?

Mr. STORY. Yes.

Mr. AYRES. But they do not do it?

Mr. STORY. No; that would be against the policy of that nation.

Mr. AYRES. Does not that answer your question, Judge?

Mr. HARDY. No; because I do not think there are any boats from Liverpool to Galveston with full cargo.

The CHAIRMAN. We are losing sight of the purpose of the inquiry here. The question is what influence these other lines have on our commerce; in other words, is there any combination of capital the effect of which is to discriminate against us?

Mr. HARDY. Yes; that Mr. Story makes quite clear.

Mr. STORY. There is one example I want to state to you. For instance, you take the European conference lines that operate from New York to the east coast of South America upon which we are absolutely and abjectly dependent. Do you know on their downward trip they do not stop at the West Indian Islands—Barbadoes or Trinidad; they only stop on the way back. The reason is this: If they stop on the way down, the first thing you know all the West Indian

Islands would be trading with New York or other United States ports, and it would help the development of the United States commerce with those islands. Whereas, the object naturally of England—and you can not blame her—is to keep these people trading with the home country by the steamers that operate from Liverpool to the West Indies.

Mr. HARDY. That is the only objection I have to your conclusion—that it is the object of those countries. Is it not the object of the shipowner?

Mr. STORY. It is the object of the shipowner; and it is the object of England and of the shipper, for this reason; I think a study of the question will prove conclusively that ships work for their countries; that the International Mercantile Marine, which is constituted by the merchant fleets of Great Britain, France, Italy, and Germany—that those merchant ships are subsidized to the extent of many millions of dollars by those countries, the object being to operate their lines in such a manner as to help develop the commerce of those particular countries.

Mr. HARDY. The only objection I have to your statement is your observation that ships work for their countries. Do you think they would sacrifice their interest to work for the interest of their country?

Mr. STORY. Certainly, for the simple reason that their Governments are helping them.

Mr. HARDY. It is their interest that prompts them?

Mr. STORY. They are interested, naturally.

Mr. HARDY. They are working for their own country in so far as their country backs up their interest, and no more.

Mr. STORY. Yes.

Mr. HARDY. That is capital, is it not?

Mr. STORY. Capital.

Mr. HARDY. I think Mr. Story presents the question of these discriminations very forcibly.

The CHAIRMAN. You may go ahead with your statement, Mr. Story.

Mr. STORY. Judge, I do not know that I can say any more.

The CHAIRMAN. Mr. Story, what other obstacle did you have in the way of getting freight—return cargoes from Brazilian ports—than this rebate agreement, to which you refer?

Mr. STORY. Well, I do not know, Judge, that there was any other obstacle, because we are informed by our representatives down there that at the time that our ships put into the Brazilian harbors, of Santos, especially, that there was an immense amount of cargo waiting transportation to North America, but, of course, which cargo was controlled by those shippers who naturally are in this working agreement with the conference lines, and if it had not been for this agreement and the terror of the shipper—

The CHAIRMAN. You say, "except for this agreement." Did they urge that as a reason why they could not give you cargoes—that they had that arrangement with the conference lines by which they were granted rebates?

Mr. STORY. Of course, the shippers say very little, for the simple reason that the shipper is not independent enough to assert himself. I find that even in discussing this problem or question with the

importers in our own country, a disposition on the part of our own coffee importers to take a back seat, so to speak, and keep in the dark or in the background, for fear that their business interests might possibly be antagonized in some way, and the fact is all the more emphatic in Brazil, for the reason that every shipper in that country is absolutely dependent upon these conference lines to handle their cargoes either to Europe or to the United States.

Mr. HARDY. These lines have the life and death of these shippers in their hands?

Mr. STORY. Yes.

The CHAIRMAN. And here you came with a new offering to carry their burden?

Mr. STORY. Yes, sir.

The CHAIRMAN. They declined to patronize you for that reason?

Mr. STORY. Yes.

The CHAIRMAN. In other words, gave them a selfish reason?

Mr. STORY. Yes.

The CHAIRMAN. But you were not proposing to give them any better rates than these foreign lines, nor were you proposing to give them any better facilities, were you?

Mr. STORY. No; not for the time being.

The CHAIRMAN. Well, what inducement would there be for them to patronize your lines as against the foreign lines?

Mr. STORY. For the simple reason that the rates of freight now between North and South America are rather high, as everybody will admit, and the establishment of independent lines would naturally in the course of a very short time lead to the regulating of those freight rates so as to make them reasonable. Therefore, the independent shipper—and I have spoken to a number privately in the privacy of their sanctum—stated that they would look forward with hope to the establishment of independent lines, because they were paying too high a rate of freight, and at the same time they were abjectly dependent upon this combination.

The CHAIRMAN. Did they contend that their facilities were not sufficient between Brazilian ports and the United States?

Mr. STORY. Yes; especially in regard to mail-passenger service, because, as I stated before, here is Brazil and the Argentine, which have got all the way from 10 to 12 magnificent transportation lines, not only for cargo but for mail and passengers.

The CHAIRMAN. That is to Europe?

Mr. STORY. To Europe. The great United States of North America practically have only one, and it is very primitive, and at that time very inadequate, and takes 18 or 20 long days at sea, cooped up in a badly ventilated ship, and with miserable food, before a passenger leaving New York can land in Rio or Buenos Aires. The result is, it discourages travel.

The CHAIRMAN. What line is that?

Mr. STORY. That is the Lamport & Holt—as compared to the magnificent service which exists between Europe and South America.

The CHAIRMAN. Well, then, of course these foreign lines do not give the same facilities for passenger and mail between South America and North American ports as they do between North America and European ports?

Mr. STORY. No.

The CHAIRMAN. Well, do the Brazilians demand better facilities in that regard?

Mr. STORY. The Brazilians demand better facilities and go far enough to say that they are willing to join hands with our people in some form or other to help put on a fast mail-passenger service, that will develop not only travel and commerce as a natural sequence, but also enable the quick delivery of mail, because the great complaint between merchants of the south shipping to the United States or our own shippers in the United States to the south, is that our mail has got to go oftentimes by a roundabout way, which is very inconvenient and means a loss to a man who is sending his draft and bill of lading to the shippers in South America.

The CHAIRMAN. What are your freight facilities from New Orleans to Brazil?

Mr. STORY. None at all. We have none.

The CHAIRMAN. Did not the Lamport & Holt Line go in there at one time?

Mr. STORY. The Lamport & Holt Line did not go in there, but in September whilst we were still operating, the agent of the line was booking freights for one of their ships, the *Terrence*, which was to come to New Orleans and take this southbound cargo, a thing which it never had done before.

Mr. HARDY. That was while you were operating?

Mr. STORY. Yes; but when we withdrew from the field, our ships having come back empty, it was given out that the *Terrence* would not come.

Mr. HARDY. Why was it that the Brazilian Government utilized, with their \$500,000 subsidy, the Italian line instead of some of the American lines?

Mr. STORY. Well, they have subsidized an Italian line in order to help develop Italian commerce and immigration between Italy and Brazil.

Mr. HARDY. You spoke of their being ready to help an American line.

Mr. STORY. They are disposed to assist an American line toward the establishment of a rapid passenger-mail service, provided our own Government does something toward the same effort, in some form or other.

Mr. HARDY. In other words, if we will unshackle the traffic they will put up some money?

Mr. STORY. They will subsidize it just like they subsidized the Italian lines, all of which shows the desire and the anxiety of Brazil as a people and a country to do business with North America, and she is doing considerable business, it is true, but they argue from the standpoint that it is just as dangerous for them to have such an enormous trade balance as not to have any business at all, for the reason that we might go to work, you know, and help develop the coffee production of some other country, instead of being satisfied to trade with them alone, and for that reason they want better facilities between North and South America, and between Brazil and North America, so as to enable not only our people to travel to their country and their people to travel to ours, but to enable them also to get in

better with our manufacturers, so that instead of \$100,000,000 trade balance being against her——

Mr. HARDY. Just another question along that line. Is that \$500,000 subsidy or subsidized line by the Brazilian Government a member of the international foreign shipping combine?

Mr. STORY. I do not think so.

Mr. HARDY. What line is that?

Mr. STORY. It is an Italian line.

Mr. HARDY. What is the name of that Italian line?

Mr. STORY. I have forgotten.

Mr. HARDY. And you think that is not in the combine?

Mr. STORY. That I do not know.

Mr. HARDY. You can not remember. I would like to have the name of that ship line inserted in your testimony before you have it printed.

Mr. STORY. Here [referring to a newspaper clipping], for instance, is an item of interest, in the shape of an interview given by the prime minister or secretary of state of Brazil, Lauro Muller, who speaks about Brazil being eager for closer relations with the United States. The minister, among other comments, here states:

I am so convinced of this that I am sure the Brazilian Government would gladly grant a subsidy to a company operating such steamships if the United States Government would do the same. The participation of these two Governments, and probably that of others in South America, would greatly simplify the subsidizing of a line of fast mail and passenger boats.

You were speaking of the National Line, of which he was the nestor at one time. That simply shows, Brazil speaking through the mouth of her prime minister, what the situation is.

Here is practically the same thing from Dr. Rouque Saenz-Pena, the President of Argentina, where he states, among other things:

I still think now, as I did then, that it is necessary to increase the communications between the two countries. Those existing now I consider inadequate, and I advocate more rapid and direct steamship communication.

Mr. HARDY. Mr. Story, roughly speaking, is it or not a fact that Europe has the commodities in demand in Brazil and the Argentine which she can sell to them cheaper than we can?

Mr. STORY. I do not think so, for the simple reason that in machinery and hardware and agricultural implements we have practically driven the Europeans out of the Argentine field in the last few years.

Mr. HARDY. You are right in that, but I am talking about clothing and woolen goods, and the general articles of manufacture, outside of machinery.

Mr. STORY. There may be some things in which perhaps Europe can outbid us, but there is no reason why we can not sell American shoes in South America, since we sell them to Germany and France and England.

Mr. HARDY. Are not we getting in our machinery in that country and the stuff we can undersell?

Mr. STORY. We are getting it gradually in.

Mr. HARDY. I would like to know, as a matter of fact, whether we are not selling our shoes there?

Mr. STORY. We are selling some shoes, but not in proportion to what we should, in view of the vast demand there is for articles of every description in South America.

Mr. HARDY. Articles of every description come there cheaper from Europe than they do from us, except machinery and shoes?

Mr. STORY. I do not think so, because there are a great many other things that they buy in this country; for instance, in order to stimulate the development of commerce, Brazil, as I stated a moment ago, has practically entered into reciprocal agreement with us, to the extent of giving us a 20 per cent preferential duty on 19 articles manufactured in this country, such as furniture, cement, and other things, and 30 per cent on American flour.

Mr. HARDY. Do you think that if there was a cargo there and cargo back—that is, if we had the shipments going down and coming back—that business interests would not establish a line to carry it?

Mr. STORY. One would imagine so, but now the business interests argue from this standpoint, which is natural: For instance, in 1880 there was established a line between the United States and Brazil. The Brazilian Government subsidized it to the extent of \$95,000 per annum, but the United States only gave that line \$3,000 to carry its mails. That was not sufficient, and the result is that the line had to go out of business.

The CHAIRMAN. In other words, the manufacturers of this country recognize that as an inviting field?

Mr. STORY. Yes.

The CHAIRMAN. Brazil says, "We will be very glad to trade with the merchants and manufacturers of the United States, but we will not do so unless the Government will subsidize lines in that place to carry our commerce"; in other words the business men say this: "We did it once where they carried 80 or 90 per cent of our trade."

Mr. STORY. That was before the days of rampant subsidies given by other countries. We know our Government has got to do something in the way of financial aid or legislation that will protect not only our commerce and encourage our shipping, because our shipping must be placed upon the same competitive basis with the shipping of other nations who receive from the coffers of their Government millions of dollars in subsidies, otherwise an American transportation line could not stand against such a disadvantage, and would have to go out of business.

Mr. HARDY. You think, then, that if other Governments did not subsidize there would be no need of this Government subsidizing?

Mr. STORY. I do not think there would be.

Mr. HARDY. This line that you spoke of as having a subsidy of \$95,000 a year from Brazil and \$3,000 in this country still would not be subsidized heavily enough to live?

Mr. STORY. It went out of business.

Mr. HARDY. Did it have the freight?

Mr. STORY. I do not know. That is away back in 1880.

Mr. HARDY. The question we want to get at is whether that company was crippled by something you tell us of now or whether it did not get the freight. Did the company get the freight and the subsidy of \$98,000?

Mr. STORY. I would not think that vessel could not get the freight then, because at that time or at that period our commerce was not

sufficiently developed with those nations to the south, nor did there exist at that time the combines on the sea as we have them to-day.

Mr. HARDY. They neither had the freight nor the combines?

Mr. STORY. Yes.

Mr. HARDY. In other words, combines follow the freight?

The CHAIRMAN. To-day your company could buy ships abroad for this South American trade, which is tantamount to saying that if you could buy them at less cost than you could buy them from American shipyards you could contract with the Postmaster General for the mails between American ports and South American ports under the ocean mail act of March 3, 1891, which, if your ship was a 16-knot vessel, would be \$2 per mile on the outward voyage. You say you have great quantities of freight in this country that are awaiting shipment to South American ports, and there are great volumes of freight there awaiting shipment here. I confess I do not see what is the matter with our American manufacturers and shippers, unless they are hypnotized by the old notion which has grown up under our protective tariff system that they can not do anything unless the Government is back of them.

Mr. STORY. I will answer that, Judge, by this statement. In the first place, operating a freight line and a passenger line are two different propositions. A freight line, practically speaking, needs no subsidy, per se. All that a freight line needs is legislation of some kind and character that is going to protect it against rebates or unlawful competition, and give it an equal and fair chance to live; that is all, but a mere passenger line naturally has a different proposition, because you have got to have larger ships, passenger ships, finer machinery, more expensive crews, and so forth. Now, the mail subsidy or mail contract of 1891, that you refer to, where the United States Congress gave \$2 per mile for 16-knot ships, is not enough.

The CHAIRMAN. How much on the outward voyage—what is the difference between here and Rio?

Mr. STORY. Two dollars on the outward voyage, 5,000 miles, or \$10,000 a month.

The CHAIRMAN. That much on each outward voyage?

Mr. STORY. Each outward voyage, because in order to develop passenger and mail service it has got to be up to date in every particular and comfortable; it has got to burn coal, and be a rapid ship. Therefore it has been absolutely proven the amount of \$2 per mile for outward voyage for a mail-passenger service is inadequate, and that is the reason why Brazil, after that was pointed out to her, said, "Now, here, that is all right. If the Government can increase that, we will make it \$4 a mile, if your Government will make it \$4 a mile." Of course, under that act of 1891, there are a great many other things which have got to be cut out. A great many things are in there which are absolutely onerous. The act provides that ships should be operated by so many men, or the crew shall be constituted of so many people, and so forth; that should be left to the discretion of the management. They might be all Americans, it is true; or that feature of it might be left out, too, and let you employ whoever you can.

The CHAIRMAN. They would employ sailors, just like our American ships in the coastwise trade, foreigners.

Mr. STORY. That act is defective, and that act should be remodeled in order to make it practical.

The CHAIRMAN. I do not think any attention is paid to it by our subsidized lines.

Mr. STORY. The only line that reaps the benefit of it is the American Line.

The CHAIRMAN. Between here and Europe?

Mr. STORY. Yes.

The CHAIRMAN. I do not think they pay any attention to that feature of it, the requiring of seamen to be Americans. I am not sure of that, but it is my information.

Mr. STORY. But the passenger service always loses money, as a general proposition, and is only operated as an advertising feature, although rapid mail and passenger service develops travel, which develops commerce.

The CHAIRMAN. I think that is sound logic.

Mr. STORY. Yes.

The CHAIRMAN. Going back to the relation between these conference lines, have you any other proof to give to this committee to the effect that these lines are in a pool or conference or agreement?

Mr. STORY. I have no other proof, and it is rather difficult to obtain any direct proof, although it is universally admitted by everybody who knows anything about the subject, that a combination does exist, and that those conference agreements do exist, although there is no direct proof, and it is very clearly stated by some, as I have had it stated to me in Brazil. When I was there, a man said, "What is the use? You can not get any direct proof against these people, because they have provided against that. They operate in such a way that they say it is impossible for the United States to do anything in the premises, for the reason that they can not get a copy of the actually signed agreement, although everybody knows the thing does exist."

The CHAIRMAN. We know this, that these lines are in a combination by which they pool their business.

Mr. STORY. Yes.

The CHAIRMAN. Is that agreement to carry a certain proportion of the tonnage—one-third was the amount stipulated?

Mr. STORY. Yes.

The CHAIRMAN. If either line carried more than a third, unless under extraordinary circumstances, that line was penalized. Then, again, as between themselves and the shipper, if the shipper patronized them to the exclusion of all other lines, except under extraordinary circumstances, they should receive a certain rebate—5 or 10 per cent, under different circumstances?

Mr. STORY. Yes.

The CHAIRMAN. That, however, is payable after six months?

Mr. STORY. Yes.

The CHAIRMAN. In the meantime, if they should patronize any other line, they would forfeit this rebate?

Mr. STORY. Yes.

The CHAIRMAN. That is one of the ties that binds the South American shipper to these lines?

Mr. STORY. That is correct.

The CHAIRMAN. And when your line went in there you found this close combination existing, and you say you did not propose to carry freight for a less rate on the home voyage?

Mr. STORY. No, we did not offer to carry freight at any less price because we felt that it was not proper at that time to start in cutting rates, and we felt that the shippers were paying the existing rates, and that there was cargo sufficient for our line if the shippers had only been disposed to ship by the line, and, of course, which they could not do for the reason just mentioned.

The CHAIRMAN. In the first place, you did not offer them a lower rate?

Mr. STORY. No.

The CHAIRMAN. You did not offer them any better facilities?

Mr. STORY. No.

The CHAIRMAN. These other lines had been in the trade for years past; the shippers had reason to believe they were permanent and that their facilities would be permanent; that you were new in the field, and it was a problem whether or not you would continue in the service, and hence as successful business men they felt that they could not afford to take the chance, even if there was no other reason. Is not that true?

Mr. STORY. No; it looks that way on the surface.

The CHAIRMAN. Yes.

Mr. STORY. And that is, of course, what the opposition said—that is the standpoint from which they argued.

The CHAIRMAN. That would be the most natural thing for you to say, would it not? You say you got full cargoes from New Orleans to South America?

Mr. STORY. Yes.

The CHAIRMAN. You found this combination existing down there. The first thing, in order to divert trade to your lines, would have been a less rate, would it not?

Mr. STORY. Well, that would have brought on a rate war.

The CHAIRMAN. You felt you were not financially strong enough to stand it?

Mr. STORY. We felt that it was not the right thing; that it was not policy—not politic at that time for the reason that we were a new line, and there were ample freights waiting transshipment to the North, and the existing rates were more or less satisfactory to the shippers; there had been no complaints so far as we knew. We were informed by our agents that the conference lines' agents in those countries absolutely stated that we would not get a pound of freight, and that they would see to it that we did not.

The CHAIRMAN. I can understand how it came that you did not get any under the circumstances. You were not offering any better facilities; you were not offering any less rate, and they were getting this deferred rebate, in addition. A level-headed business man would be inclined to think it the wise thing to do, to stay in the combine.

Mr. STEPHENS. Mr. Story, did you use the argument with Brazilian shippers that if independent lines were established eventually the freight rates would be reduced?

Mr. STORY. Oh, yes.

Mr. STEPHENS. What was their answer to that—their verbal answer?

Mr. STORY. The shippers in Brazil, of course, are noncommunicative for the simple reason that it would be almost business suicide for them to express themselves, from the fear that the conference lines would penalize them in some way or other. I know that.

The CHAIRMAN. Is there any economic reason for the deferred rebate system adopted by those conference lines?

Mr. STORY. Any what?

The CHAIRMAN. Any economic reason for the adoption of the deferred rebate system by the conference lines?

Mr. STORY. I do not know that it is done, except with the idea of enabling the conference lines to get the shippers into an agreement where they could hold them.

The CHAIRMAN. Offering them a financial inducement?

Mr. STORY. Yes.

Mr. AYRES. I should like to ask a question. How many voyages did your vessels make from New Orleans?

Mr. STORY. We only made one voyage.

Mr. AYRES. One voyage down?

Mr. STORY. Yes.

Mr. AYRES. That was the only trip you went down?

Mr. STORY. Yes, and for this reason: The business men in the Mississippi Valley with whom we had been in close touch all these years back, and who are ready and prepared to put millions of capital into an American independent shipping line, always use the argument—advanced the argument—that it was impracticable to do so until such time as our Government will protect American shipping, or the American shipping line by legislation that will not only encourage it, but will at the same time prohibit illegitimate tariffs and illegitimate combinations. But a portion of our people, some of our friends, said, "Well, now, we do not believe that our Government is going to stand idly by and see all American efforts wiped out, and we believe that the time has come and is ripe for us to start this line, and let us start it." And the result was that a few of our friends got together and they said, "Now, here, we will put up the money sufficient to start this line, and if we find it is absolutely so that it is impossible to create an independent American line, that the combination on the ocean is such they control the shippers in South America to the extent of prohibiting an American line from receiving a pound of freight, then let us find it out if it is so, and if it is so we will withdraw from the field until such time as we can get the right kind of legislation as will inspire us with confidence to put our money in the enterprise."

Mr. HARDY. Judge Alexander's proposition was that you did not offer them as good rate as they had because they had no rebate coming to them?

Mr. STORY. Yes.

Mr. HARDY. Was it reasonable for you to expect business men to pay more than they paid the people they were already dealing with?

Mr. STORY. We offered them inducements, we offered them a price, do you not understand, which was equivalent?

Mr. HARDY. You considered that by making them an allowance for a deferred rebate you were giving them a present price equivalent to that, with the rebate taken off?

Mr. STORY. Yes.

Mr. HARDY. Then you could not get it? That is what you mean?

Mr. STORY. Yes.

Mr. HARDY. That is a little different.

Mr. COLLIER. How many ships did you have? Just one?

Mr. STORY. We had just one. At the start we chartered ships, and we chartered three ships.

Mr. COLLIER. How long did your line continue? You say you made one trip?

Mr. STORY. Just one trip.

Mr. COLLIER. How many vessels?

Mr. STORY. Three vessels.

Mr. COLLIER. You sent all three of them off?

Mr. STORY. In June the ships went out, and the ships came back in October or November.

Mr. COLLIER. All three of them practically empty?

Mr. STORY. When we found we could get absolutely no cargo for them we discharged the other two at the other end.

Mr. STEPHENS. Did they all leave New Orleans at about the same time?

Mr. STORY. They left at intervals of 20 or 30 days apart.

Mr. STEPHENS. You made but the one attempt to obtain return cargo?

Mr. STORY. For all three, but we found when leaving the Brazilian coast that it was impossible to get any freight, and we disbanded the ships.

Mr. AYRES. What sort of ships were those?

Mr. STORY. Freight ships.

Mr. AYRES. Cargo carriers?

Mr. STORY. Cargo carriers.

Mr. AYRES. About how many tons?

Mr. STORY. One was about 10,000 tons, and the other two 8,000 tons each.

The CHAIRMAN. Is it not the position of those lines, which give regular service from one port to another, that in order to give a regular and a good service it is necessary to be assured of a constant patronage? Do not they claim that they must be protected against the shipper using a line service just whenever it suits his convenience, and then patronize a tramp that comes along if it suits his convenience, and resort to low freight rates or to a tramp service whenever it is available, or suits his convenience? Do not they claim that the deferred rebate system is simply a discount or a payment in return for loyalty and for efficient and regular service?

Mr. STORY. Well, Judge, I do not know what they claim. Of course, naturally, a shipper would look with favor upon a line that he knows has come to stay. That unquestionably would be true. But, at the same time, a line starting in under the circumstances which now exist, and being absolutely convinced that because of this gigantic combination it is absolutely impossible to break in because of lack of support—

The CHAIRMAN. You were unable to guarantee them like service to that which they were now receiving through the conference lines?

Mr. STORY. We had to withdraw because we could not run our ships without cargo.

Mr. HARDY. I should like to know if you were ready to guarantee that permanency of service in case you could get the cargoes?

Mr. STORY. Yes.

Mr. HARDY. Did you tell them you would, to get the line running?

Mr. STORY. Oh, yes; absolutely.

Mr. HARDY. What was it that prevented the merchants from patronizing you if you were giving them a guarantee of permanency of service and giving them a present price equal to the deferred rebate price?

Mr. STORY. Well, simply for this reason—naturally, you must put yourself in the shipper's place, and if that combination came to you and said, "Well, if you patronize this independent American line not only are you going to lose the rebates with us, but you are a merchant and a shipper, you are not only shipping to South America, but you are shipping to Europe."

Mr. HARDY. That is the point.

Mr. STORY (continuing). "And we will refuse to take your cargo for Europe."

Mr. HARDY. So it was the other power in addition?

Mr. STORY. And there the shipper naturally——

The CHAIRMAN. What other method would you suggest to avoid this rebate system and at the same time secure the service?

Mr. STORY. Well, of course, I am not sufficiently versed in legal lore, legal matters, to say——

The CHAIRMAN. No; but as an economic business proposition.

Mr. STORY. I should imagine, Judge, what is needed is legislation of such form and character that is going to prevent these combinations or these rebates—legislation that is going to put the ports of our country under Government supervision, just as our railroads are, legislation that is going to prohibit not only American flag lines, but foreign flag lines operating in our ports, from engaging in combinations in restraint of trade, or that will bolster up illegitimate competition or foster monopoly. It seems to me that those are the lines on which we have got to operate.

The CHAIRMAN. In other words, their rates, for instance, should be public, and should be filed with the Interstate Commerce Commission? Is that your notion?

Mr. STORY. That is my idea.

The CHAIRMAN. With some other improvements?

Mr. STORY. That is my idea.

The CHAIRMAN. And if they have any agreements they should first be submitted to and approved by the Interstate Commerce Commission, or some other tribunal?

Mr. STORY. Absolutely; that is my idea.

The CHAIRMAN. If they enter into any agreement or make other rates than the published rates they should be punished for it?

Mr. STORY. They should be punished for it.

The CHAIRMAN. Under our interstate-commerce law?

Mr. STORY. Yes.

The CHAIRMAN. They should be absolutely prohibited from granting rebates to one shipper as against another?

Mr. STORY. That is right.

The CHAIRMAN. Under any conditions?

Mr. STORY. That is right.

The CHAIRMAN. As the railroads are to-day?

Mr. STORY. Yes.

The CHAIRMAN. In other words, you bring that traffic substantially under the terms of the law now applicable to our interstate-commerce carriers?

Mr. STORY. Yes, sir; it seems to me that is the way I view the question.

The CHAIRMAN. Are there any other questions?

Mr. THAYER. I should like to ask if there is any common-carrier obligation on the steamship line such as we have here, such as our railroads have, to take freight?

Mr. STORY. Any common-carrier what?

Mr. THAYER. Legal obligations to take freight when it is offered them.

Mr. STORY. I believe there is.

Mr. THAYER. So that if they could get together and had the sand to fight they could compel the steamship companies to take their freight?

Mr. STORY. From North America?

Mr. THAYER. Take it anywhere—in Brazil.

Mr. STORY. In Brazil, of course, I do not know—

Mr. THAYER. Do you know if there is any common-carrier obligation?

Mr. STORY. No; I do not know as regards Brazil. I do not think Brazil has anything of the sort. I thought you referred to our country. Of course there is no trouble about cargoes from the United States, but in Brazil I do not know.

Mr. THAYER. I presume there would be some such arrangement.

Mr. STORY. In Brazil I do not know that there is. I think there is not.

Mr. THAYER. That would be a good thing to find out. Perhaps somebody in the trade would know.

The CHAIRMAN. What is your opinion about a law compelling the line, whether domestic or foreign, delivering freight in an American port or receiving a cargo here for a foreign port, and discriminating against shippers in the matter of cargo space, as well as rates, to treat all shippers alike without discrimination?

Mr. STORY. I think that is perfectly right.

The CHAIRMAN. Then take the railroad end of it. How about the railroads being compelled—for instance, if you wanted to make a consignment to a South American port by way of New Orleans you would have a right to designate the line over which that commodity might be shipped from New Orleans to that port. Do you think that ought to be a feature of the law also?

Mr. STORY. Unquestionably.

The CHAIRMAN. And from Brazil, if you wanted to ship a cargo from Brazil by way of New Orleans to St. Louis, that the Brazilian himself should have the right to designate the line?

Mr. STORY. That is correct.

The CHAIRMAN. And that no ship, whether domestic or foreign, entering our ports, should be permitted to do so if they violated that provision of our law?

Mr. STORY. Absolutely—sure.

Mr. HARDY. The big thing would be to prevent them from using future booking space to exclude the men they did not want to carry for, would it not? That is, they could book up and give preference, and your idea is that they should not be allowed to give any preference to one shipper over another in that respect?

Mr. STORY. That is correct.

The CHAIRMAN. We will take a recess now until 2 o'clock.

Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTERNOON SESSION.

The hearing was resumed at the conclusion of the recess.

The CHAIRMAN. Gentlemen, have you any other questions you wish to ask Mr. Story? Or have you any statement you wish to make, Mr. Story?

Mr. STORY. Mr. Chairman, I would like to make a statement in correction of some of the statements that were made during the morning session. When our ships were at Rio, in Brazil, at that time I was at Hot Springs. I was not in Brazil, and I was under the impression that no lower rate of freight had been made; but now, after rehearsing my memory and talking with Mr. Lowry who was one of the representatives of the Pan American Mail in Brazil at the time the ships were there in the harbor, I understand that a lower rate of freight had been made by the Pan American Mail for the purpose of securing cargo. Upon leaving the room here it occurred to me that I had made an error, because I remembered some conversation I had with Mr. Sutter, who was fresh from the field, and I sent him a wire to find out what the statement was he had made to me in reference to that. I have not received an answer as yet, but I find Mr. Lowry has just arrived, and he was in Brazil, in Rio, at that time, soliciting freights, and seeking to contract for freights for our line, and he told me that he did make a lower rate in an attempt to get cargo.

The CHAIRMAN. That is, when your ships were at Rio?

Mr. STORY. Yes, sir.

Mr. HARDY. There is just one other question I would like to ask you, Mr. Story. I presume that in your interest you have probably consulted attorneys and gotten possibly some legal idea as to any legitimate remedy for the situation. Have you any suggestion of some definite remedy, or has that suggestion been thought of by any attorneys that you communicated with?

Mr. STORY. Everybody that I have had any discussion with—business men as well as attorneys—seems to be of the opinion that the only cure for the conditions now prevailing is legislation of some character that will absolutely prevent rebating, prohibit combinations, that will penalize the shipping that engages in illegitimate combinations in restraint of trade or fosters monopoly in some form, along lines such as were discussed here this morning.

Mr. HARDY. In other words, to make it penal for a combination to penalize an individual?

Mr. STORY. Absolutely; and compel that shipping, whether foreign or domestic, to accept cargo from the shippers when offered.

Mr. HARDY. On equal terms?

Mr. STORY. On equal terms, because, as I understand from conversations had with people in Brazil, they fear that if they patronize an independent, the conference line or combination will penalize them to the extent of not only refusing to pay the rebates under the contract, but refusing to take their cargoes.

Mr. HARDY. Among legal men with whom you have talked is there any doubt about the question of the United States having the right to make such laws applicable to foreign ships as well as domestic companies?

Mr. STORY. I have had occasion to hear the question discussed by a very able attorney in our city, Mr. Edgar Farrar, who was at one time president of the American Bar Association and is the attorney of our company, and it was his contention that the United States had a right to supervise and to regulate all commerce, whether foreign or domestic.

Mr. HARDY. Was that under any employment to investigate and give an opinion on that subject, or was it——

Mr. STORY. Ex parte.

Mr. HARDY. Personal opinion?

Mr. STORY. Just a personal opinion.

Mr. HARDY. Not as a legal opinion, of course?

Mr. STORY. No.

Mr. HARDY. That is all.

The CHAIRMAN. This committee has expressed itself on that by reporting out a bill in which we proposed to penalize all foreign ships entering American ports which were at the time in a combine, agreement, or pool. It has gone to the Senate now, and we are interested to know whether the Senate will pass it or not.

That is all, Mr. Story.

TESTIMONY OF JOSEPH J. SLECHTA.

The witness was duly sworn by the chairman.

The CHAIRMAN. Will you give your name and address and the business in which you are engaged to the stenographer?

Mr. SLECHTA. Joseph J. Slechta, 17 State Street, New York, representing the Brazilian Steamship Co., as their New York agent.

The CHAIRMAN. You are the agent of the Lloyd Brasileiro?

Mr. SLECHTA. The technical, legal name of the company is Lloyd Brasileiro, but for the sake of putting it into English we call it the Brazilian Steamship Co., because that is what it really means.

The CHAIRMAN. Do you care to make a preliminary statement before we ask you specific questions?

Mr. SLECHTA. No, sir; I think not.

The CHAIRMAN. You and Dr. Huebner have had correspondence from time to time with reference to this matter, and I think it would save time if I request him to ask you questions directly.

Mr. SLECHTA. I shall be very glad.

Dr. HUEBNER. Mr. Slechta, the Government in its suit against the Prince Line and others, refers in its petition to the traffic agreement of February 14, 1908, which provided for the total fixing of sailings among the lines, a deferred rebate system, and a tariff of rates to be adhered to by the lines. Are you familiar with that agreement?

Mr. SLECHTA. I sent a copy of that agreement to the Department of Justice soon after my arrival in New York to take charge of the company's business here.

Dr. HUEBNER. Do you know if that agreement is still in existence?

Mr. SLECHTA. I have not any knowledge of that except on hearsay.

Dr. HUEBNER. Have you any facts that have come under your observation which would lead you to believe that agreement is still in existence?

Mr. SLECHTA. The best evidence I have along that line is from correspondence, written and by cable, which I have had from my company. In compliance with the request of your committee, I endeavored to obtain that information, and in fact a specific copy of any agreement which might be made in renewal of the previous agreement, as I think I indicated in my letter. Up to the present time I have been unable to obtain anything of the sort, although my company in Rio de Janeiro have reported to me in writing that their agent was endeavoring to obtain a copy of the agreement, or circular letter, as it might be called, which was issued by the companies to the shippers following the raise in the rates on coffee. In other words, the agreement—if I might assume something from what they told me—was simply to put it back into force after the raise of freight rates.

Dr. HUEBNER. At what date was this?

Mr. SLECHTA. I am unable to say as to the exact date when the rates were raised, but I believe it was about four months ago; about the 1st of September, if I am not mistaken. I was not advised of the exact date.

Dr. HUEBNER. Now, in its suit against the Prince Line and others, the Government refers to a pooling agreement which was made in 1909, and which it seems was discontinued at about the end of one year. Do you know whether the lines have any sort of arrangement which has taken the place of that pooling agreement?

Mr. SLECHTA. Well, now, just precisely what do you mean by pooling arrangement? With reference to the freight from Brazil?

Dr. HUEBNER. With reference to the total amount of traffic which is assigned to each line.

Mr. SLECHTA. Inward freight from Brazil?

Dr. HUEBNER. Inward freight from Brazil.

Mr. SLECHTA. About that I have absolutely no knowledge.

Dr. HUEBNER. Also as regards the outward freight?

Mr. SLECHTA. As to neither have I any knowledge whatever, although I may say that so far as the outward business is concerned I think it is understood, and is a matter of common knowledge in the press and elsewhere, that the freight bookings for the conference lines in New York was made at different times by the secretary of their conference.

The CHAIRMAN. Who is that?

Mr. SLECHTA. I could not tell you his name. He has an office at 17 State Street.

Dr. HUEBNER. Do you know anything about the matters that are dealt with in this conference?

Mr. SLECHTA. No, sir; I have absolutely no knowledge whatever, except as we hear our customers tell about that, but no definite knowledge whatever.

Dr. HUEBNER. You do not know whether the New York lines—I mean the lines operating from New York to Brazil—are at the present time in a European conference arrangement?

Mr. SLECHTA. I could not state with any authority as to whether they are or not. If you would like me to give you my idea of the situation with reference to the shipping business of the world as it affects this particular case I would be very glad to do so.

The CHAIRMAN. That is just what we want you to do. Tell us what you know or of which you have information, or belief founded upon investigation.

Mr. SLECHTA. I shall have to ask you to accept a good deal of what I say as somewhat in the light of being academic perhaps, because I want you to remember I have only been in the steamship business a year. Previously to that I was for five years a representative, as a subordinate, of the Consular Service of the United States in Rio de Janeiro. Of course my duties along that line required some investigation from time to time of these matters.

In the first place, I think it would be advisable for the committee to consider the general situation in the shipping business of the world as it affects this particular case. We have in a way a triangular arrangement of ocean transportation. The most important, of course, is the upper line of the triangle, New York to Europe. It is important in that connection to take note of the general trend of the traffic there.

The CHAIRMAN. What are the points of the triangle?

Mr. SLECHTA. The other point is South America.

The CHAIRMAN. Between here—

Mr. SLECHTA. Between here—between South America, Europe, New York, or Philadelphia—say the United States to make it general. The most important of the general trade, and the best paying in the trans-Atlantic business is from the United States to Europe, as all ship men know. The other business—that is, from Europe to the United States—is either of a high-paying nature or it is of a very cheap nature; in other words, chalk, and things of that sort, which pay a very low rate of freight and which steamships can not afford to carry except in conditions of a very serious break in the market.

On the other hand, you have a very heavy traffic, not only in passengers, but in freight, from the European countries to South America—and by South America I mean not only Brazil and the Argentine, but the west coast. In that respect you must take into consideration the reason why the traffic and the provisions for transportation are so much greater to Brazil than they are to the United States.

Along that same line, perhaps, I might ask the committee a hypothetical question. Dr. Huebner, perhaps, would catch my point at once, he being an expert. What is it particularly that makes the trans-Atlantic traffic so profitable as to maintain all these tremendous companies that operate? I think Dr. Huebner will agree with me when I say that the one thing that makes it possible and profitable for all of them to operate is the immigration business. That same state of affairs to a modified extent exists as regards Europe and South America.

In other words, Brazil and the Argentine, especially the latter, are taking large numbers of immigrants from Europe yearly, and the

lines that operate to those countries exist to a certain extent to take care of that immigration traffic. Between the United States and South America there are no such conditions. I suppose—I am merely guessing at that—that certainly not more than 600 immigrants a month come from Brazil to the United States. You can readily understand that that would be very insignificant with relation to the traffic, at least so far as regards passenger traffic.

I say this not because I hold a brief for any of the lines concerned in this, but to bring out some of the basic facts that ought to be taken into consideration in this sort of thing. As a matter of fact, some of the things that the committee may ask me to tell them about will be a brief against some of our friends concerned in the Brazilian shipping.

Mr. HARDY. There is no immigration from the United States to South America, is there?

Mr. SLECHTA. Very insignificant. As a matter of fact there has been some effort made to encourage it, but, as you can readily understand, if the United States has things to offer to a million immigrants a year from Europe, naturally there is not very much demand for an outward flow of immigrants to other countries in the Western Hemisphere from the United States. There is some trend in that direction, to be sure, in this respect. For instance, a large number of Italians—I mean to say relatively not a large number compared with the traffic across the Atlantic; it is insignificant; but considerable numbers of Italians go, for instance, from Italy to the Argentine, where they harvest the wheat. They come to Brazil and possibly take a part in the harvesting of the coffee, and then they come up to the United States and go in the Mississippi Valley, where they help harvest the wheat there. That, however, is an insignificant feature of the immigration traffic.

With that brief review of the situation as regards this particular business I think it would interest the committee also to know that there is a central field, rather a strategic point about which this conference, so called, is unable to operate. That particular point, upon which emphasis should be laid, is the fact that the most important of these three companies, taking advantage of this situation that I have just described, operates not only its line of steamers down from Brazil to the Argentine, but it operates another entirely independent line of steamers from Liverpool to Brazil; in some cases from Antwerp to Brazil, but in any case from a European port with European manufactures for Brazil. At Santos (Rio de Janeiro) those steamers are two a month, and sometimes three and sometimes even four, but never less than two. They bring coffee to the United States, either to New Orleans or New York. Then, from New Orleans they carry cotton, or from Galveston, as the case may be; from New York they take corn or whatever cargo is in season, always remembering that the general trend of ocean transportation lends itself to that arrangement. Because of the reverse route there is no paying cargo for that class of steamer, as any shipowner will tell you, at least relatively so. Then that brings them back to Liverpool. So that we, the Brazilian Steamship Co., are confronted much more seriously than this committee or anybody else with a situation like this: We carry a cargo of which we can get all we want to Brazil from New York. We have those other lines to compete with—

Mr. HARDY. What does your cargo consist of from New York to Brazil?

Mr. SLECHTA. American manufactures of all kinds.

Mr. HARDY. Mainly what kinds?

Mr. SLECHTA. Of course, by virtue of the character of our service, it is principally bulk cargo; some general merchandise, for instance, steel rails, locomotives, flour, lumber, iron and steel manufactures of all kinds, electrical machinery, woodworking machinery.

Mr. HARDY. Do you carry any great amount of clothing?

Mr. SLECHTA. No, sir; I think I could buy myself all that we ship, and that would not be much.

Mr. HARDY. Neither cotton nor wool?

Mr. SLECHTA. Neither cotton nor wool.

Mr. HARDY. Chiefly heavy machinery and bulk stuff?

Mr. SLECHTA. Yes. Of course, we carry also what we call general merchandise—all kinds of things.

Mr. HARDY. What I want to get at is to see what kind of exports go to South America from New York. As I understand, machinery, rails, steel and iron manufactures; but when you say general merchandise—

Mr. SLECHTA. By general merchandise, I mean the manufactures of a higher grade; as, for instance, soaps, canned goods, some paper, but very little, automobiles—things of a high class; things that are not bulk cargo; the same things that you use in your house every day.

Mr. HARDY. Except clothing?

Mr. SLECHTA. Except clothing.

Mr. HARDY. Do you carry many shoes?

Mr. SLECHTA. Yes; however, that is a point I wanted to speak of in recalling some of the testimony I heard this morning. The United States sells practically all the shoes that are sold from abroad in Brazil. We carry some of them. Most of them, however, go down on the faster boats of our competitors, because it is a service that demands promptness, and we do not pretend to have fast steamers. Most of the shoes, however, that are used in Brazil are manufactured there, and manufactured by American machinery, some of which we have shipped down there.

Dr. HUEBNER. Mr. Slechta, I would like to ask you regarding the rates you charge for exports from New York to Brazil. How do your rates compare with the rates charged by the conference lines? My understanding is the conference lines all charge the same rates?

Mr. SLECHTA. They do, I believe, so far as I know. That is my understanding of it. I have no way of knowing further than just the general understanding that is common to everybody. Our rates are all that we can get, to be frank. We have to do it. As a matter of fact, I came up here to give it a last chance. This company has been operating on the New York service for six years now on a losing basis absolutely. Now, I presume—I am just guessing at it, because I have no means of knowing except from general conclusions—but I suppose they have lost fully \$2,000,000 in the six years they have operated.

Dr. HUEBNER. How do their rates compare?

Mr. SLECHTA. We follow the other rates, just a little below. We cut under their rates sufficiently to get the cargo away from them. That is just the idea, and we fill as many ships as we can.

Dr. HUEBNER. Now, I have been given to understand that while you have ample freight from New York to Brazil, you have only a

limited amount of freight from Brazilian ports to New York, and that you could greatly increase the quality of your service, and I believe you have stated on one occasion that you feel you could reduce rates if you were given freight from South America to New York in reasonable quantities?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Will you relate some of your experiences as to why you have had difficulties in obtaining freight from Brazil on the return voyage?

Mr. SLECHTA. Some of the testimony that was given this morning is substantially in line with what I have to say. However, I think there is nothing more conclusive of that situation than the verbatim testimony—or at least a part of it is verbatim—that was given before the Department of Justice investigators in New York the other day by a representative of Hard, Rand & Co., a very important shipper in the coffee business. If the committee desires, I can either read that or place it in evidence. The purport of it is that Mr. McCreary, who was asked to appear before the special assistants to the Attorney General, in fact placed ledgers in evidence establishing the fact that his company had received \$100,000 in deferred rebates from Lamport & Holt. By the way, they have preferred Lamport & Holt, although they have made shipments by the other lines as well.

In that connection I think it is important for the committee to know that these are deferred rebates that were given and, this testimony would indicate, are being given by all the conference lines. By deferred rebates, I mean rebates which were given for a prescribed period of time and only contingent upon the shippers giving all of their business to the parties to that steamship agreement.

I think that appears more or less clearly from the copy of the agreement which you have on file in the record.

Now, Mr. McCreary, of Hard, Rand & Co., went further and placed in evidence a copy of a letter which their own firm had written to Lamport & Holt in 1908. The letter is dated June 30, 1908, and as a matter of interest to the committee I think I shall read it if you do not mind. It reads as follows:

JUNE 30, 1908.

MESSRS. LAMPORT & HOLT, *Liverpool*.

DEAR SIR: We beg to thank you for Mr. Cook's cables of the 17th instant to us and to the writer at Queenstown, and we now await with interest the rebate conditions which you advise will be announced later. In this connection we beg to quote the following from Messrs. Hard, Rand & Co.'s letter, dated Rio, June 8, received to-day.

I may say, in parentheses, that Hard, Rand & Co. are one of the most important coffee importers in New York. They have their own houses in Rio, and Santos, their own representatives, and they operate as Hard, Rand & Co. under the law of Brazil, capitalized, of course, by their office.

Syndicate lines.—The question has come up as to whether the syndicate lines should take cargo at the berth rate from shippers by the Lloyd steamers.

That is to say, some of the shippers were objecting to other shippers taking advantage of the lower rates offered on our ships, and at the same time taking advantage of the special rebates offered by the conference lines.

The CHAIRMAN. In other words, if they expected to get the rebate they must give Lamport & Holt all their tonnage?

Mr. SLECHTA. Exactly.

The letter reads further, as follows:

The Prince Line has declined to take such cargo, but the Lamport & Holt agents are inclined to accept same. A syndicate telegram was accordingly sent, asking for instructions. No answer has yet been received, but the Prince Line agents have a private wire from Knott this morning telling them to follow the lead of Lamport & Holt. This looks as though cargo by outside shippers would be received. If so, it seems to us unjust to supporters of the lines and to call for protest. If Urban, Trinks, etc.—

Who are coffee shippers—

can ship the bulk of their coffee at the cheap Lloyd rate and still take advantage of the syndicate steamers when convenient, especially for New Orleans, it gives them a distinct advantage over us if 10 per cent is the maximum rebate allowed.

We earnestly hope that the rebate will be a scaled one, as in the past, as we very much fear that a flat 10 per cent rebate will not prove a sufficient inducement in the long run to warrant exclusive support, unless in addition to the rebate allowed shippers we were to receive a commission on shipments to the United States and Europe as suggested by the writer, Mr. Cook. You will certainly appreciate the force of our Rio firm's objections to Arbuckle, for instance, being able to ship New Orleans by the Syndicate Line steamers at berth rate when it suits their convenience, while at the same time they ship the bulk of their coffee under their contract with the Lloyd Brasileiro at 20 cents and 5 per cent—

Per bag, that means—

We hope that Mr. Cook's expectation as to the Lloyd Brasileiro lasting only a short time will prove correct in the near future—

Which it has not done.

thus permitting your maintaining a living rate of freight. With the Lloyd Brasileiro out we would much prefer a 35-cent or even 40-cent rate of freight with scaled rebates to 27½ per cent to a 25-cent rate, with a flat rebate of 10 per cent.

Yours, very truly,

(Signed)

HARD & RAND.

Following are some cablegrams which also throw a little further light on the situation—cablegrams exchanged between them following that letter.

I may say that Hard, Rand & Co. naturally were not concerned with the rate of freight which they had to pay on their coffee as long as the other fellow had to pay just as high a rate, because the profits to them were just the same, regardless of what they had to pay in freight on their coffee.

The CHAIRMAN. They just taxed that up to the consumer?

Mr. SLECHTA. Certainly.

I may say in that connection, if you will pardon me a moment, that pending the suit that the Department of Justice has brought against the lines, that in this connection I thought it was worth while to canvass the market for some freight in the upward business, and, among others, I went to Messrs. Hard, Rand & Co., and I was impressed with the fact that they were willing, as they had never been before, to treat with us in the matter. It just happened that we had two steamers on the berth, one in Rio and one in Santos, ready to load coffee, and we made them a special offer of our freight rate which we have offered for the last eight months or more, and which has been published right along in the press, and they were willing to consider it, and they said they would cable to Brazil to find out whether they could give us some coffee. Now, please bear in mind that the rate we offered them was our minimum rate.

Dr. HUEBNER. What was that rate?

Mr. SLECHTA. Twenty-six cents a bag, and the gentleman with whom I talked said it was of a great deal of interest to them, but I notice we never got the coffee.

Our steamers sailed without a bag from Brazil to the United States.

Mr. Chairman, you asked a moment ago as to the amount of freight which we have had. I will say that during 1912 we have loaded 22 cargo steamers with merchandise from New York to Brazil, aggregating 8,000,000 cubic feet of cargo, and that by the way, represented practically 100 per cent of the capacity of those ships, and of that space we did not fill more than, I should say conservatively, 6 per cent on the return voyage.

Dr. HUEBNER. And at rates just slightly below the rates of the other lines?

Mr. SLECHTA. That is to say, on the upper business?

Dr. HUEBNER. No, I mean on the outward business.

Mr. SLECHTA. No; that is on the outward from New York, while on the upward, as I say, during most of the year we offered a separate rate, a graded rate of 26 cents, to 32 cents for the lowest, smallest quantities.

Dr. HUEBNER. Compared with a conference rate of—

Mr. SLECHTA. Forty-five and 50 cents, which it later became.

Dr. HUEBNER. In other words, your rate offered on the business from Brazil is very much lower than the rate offered by the conference lines?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. And yet despite that big difference you are unable to get freight?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Just why is it that you can not get the freight?

Mr. SLECHTA. Because of the situation which I have described.

Dr. HUEBNER. That is, you attribute it to the deferred rebate agreement?

Mr. SLECHTA. That is the only explanation to be made of it, absolutely.

Dr. HUEBNER. According to your observation, then, those deferred rebate rate agreements are in full force to-day?

Mr. SLECHTA. Yes, sir; that is my understanding of it, and my sincere belief. Otherwise, I do not understand why they should not be able to take advantage of the rate. In that connection I say that we do not pretend to maintain as high a class of steamers as, for instance, that of the Lamport & Holt Co., in their mail service. But, except for that, our steamers are to all intents and purposes practically able to do the same kind of service, as far as carrying coffee is concerned, as any steamers carrying coffee from Brazil to the United States.

Nor do we pretend to be able to carry all the coffee. It is not necessary. The fact that we have steamers there lying for two weeks waiting for cargo is sufficient evidence of the fact that we can do business. There is never a month passes but what we have at least two steamers to sail from the ports of Rio and Santos for New York. So that the plea that the shippers might make, or the excuse, that our service is not regular is perfectly absurd, because our service is quite as regular as that of any other of the real cargo boats carrying coffee.

As I said a moment ago I have no brief against our competitors in this case, but it seems to me a case where the facts will speak for themselves. One of the companies connected with this conference will probably try to establish the fact that their steamers are regular, on a regular schedule, and therefore they offer certain advantages to shippers of coffee.

Now, just let me tell you that that particular line has two sailings a month from Brazilian ports—what they call mail steamers. They stop not to exceed two days in Santos and one day in Rio—an insufficient time, in the first place, to take on any great amount of cargo, and, in the second place, most of them come there pretty well loaded with coffee from the Argentine. Most of the coffee which those lines carry is carried in this triangular line which I spoke about, running from Liverpool to Brazil and from Brazil to the United States and to Liverpool again.

I should like to place in evidence in that connection a series of a few daily market reports of the coffee exchange, which reports the steamers sailing with coffee from Brazil. I will take, for instance, just as an illustration, the first one that comes to my hand, issued on December 21. It shows, for instance, the steamer *Indian Prince*, which is one of the Prince Line boats; and while a very well equipped freight steamer she does not carry the coffee any better than we carry it, and she does not carry it in any very important degree any more quickly. She has 47,000 bags of coffee from Santos, 12,000 bags from Rio, and 2,000 bags from Victoria, or something over 61,000 bags of coffee, practically two-thirds of a cargo for a steamer of her size.

The *Thespis*, which is one of the Lamport & Holt boats, and one of the boats which I spoke of as running on the triangular line, has 56,000 bags from Santos and 22,000 bags from Rio.

The *Canova*, another of the boats of Lamport & Holt, and running on the same triangular line, has 63,000 bags from Santos and 24,000 bags from Rio. She, by the way, was sailing to New Orleans.

Then, the *Highbury*, not even one of their own boats, chartered by Lamport & Holt, and of exactly the same character of vessel as our own; has 36,000 bags of coffee.

Turning to one of the regular mail boats, operated on their regular schedule, we find the *Byron*, for instance, which in that case had rather an exceptionally large cargo, with a total of 18,000 bags of coffee, and the *Verdi*, a much larger steamer than any of the others, please bear in mind, with 11,000 bags of coffee. So you see any contention which may be made along that line, tending to show that the regularity is the thing that gets them their cargo, can hardly be borne out by these facts.

Mr. HARDY. Let me ask you if you could not make an arrangement with a limited number of customers down there by which you could guarantee your ability and purpose, and contract to carry all their coffee, so that they would not have to depend on anyone else?

Mr. SLECHTA. I may say that that arrangement was entered into in a few cases long before I had any connection with the line. I am not very familiar with exactly what happened in those circumstances, but through one consideration or another it was eventually given up. I will say this—

Mr. HARDY. In other words, what I want to know is this: Could not you relieve them of their dependence on this conference line by guaranteeing that you yourself would carry all the coffee to America?

Mr. SLECHTA. That could be done in the case of a few small shippers, but even in the case of the smallest shippers the situation is this, and that is a point I will ask you to please pay especial attention to: The largest shippers and the smallest shippers of any importance in Brazil have not only connections in the United States, but they have connections in Europe. For instance, one of the largest shippers in New York is Leon Israel & Co. They do a more important business in Europe than they do in the United States, and under the terms of that agreement, a copy of which you have on file here, signed not only by the three conference lines running to New York, but by the most important trans-Atlantic lines, if they ship any of their coffee to Europe they lose the deferred rebate on their New York business as well as the European business.

Mr. HARDY. That is the very point Mr. Story made, that they hold over you not only the question of their deferred rebates as to shipments to the United States, but also their power to get shipments to Europe.

Mr. SLECHTA. Yes.

Mr. HARDY. So that your men with whom you might make exclusive contracts, or contracts to bring all their coffee, would then be left out in the cold as to their European connections?

Mr. SLECHTA. Yes.

Mr. HARDY. Do you know that they hold over them the threat of refusing to carry their coffee to Europe?

Mr. SLECHTA. That is the general understanding. I do not want to go on record as saying that I know anything of the sort.

Mr. HARDY. Have you any tangible evidence which you can put before the committee that they do that?

Mr. SLECHTA. I have simply this evidence, that I have gone into the market in New York to solicit freight from some of these firms, and Mr. Leon Israel, of Leon Israel & Co., himself, practically acknowledged that fact to me.

Mr. HARDY. In other words, a man dealing with them has told you that, as his reason for not patronizing you?

Mr. SLECHTA. Yes, sir.

I think perhaps this is a very good place to make another statement with reference to the general situation as to the ocean transportation business. I wish to go on record as saying that in the light of my experience, and what I have learned by studying this situation, I do not find that it is a matter of flag or a matter of nationality. It is a matter of profit. The steamship lines running from Europe to Brazil have a very important and a very great amount of investments which they must protect. The business exists, and if they were to allow their own steamships, which serve a very legitimate and a very useful purpose, in also developing the business from New York to Brazil, to cut under them on freight rates, they would be simply cutting their own throats; they would be increasing, in other words, the American business at the expense of the European business. That, gentlemen, is the fact of the situation.

The CHAIRMAN. It is not a question of patriotism, but of interest?

Mr. SLECHTA. Yes.

Mr. HARDY. I think you are right about that.

Dr. HUEBNER. Mr. Slechta, how many customers do you serve in taking coffee from Brazil to New York?

Mr. SLECHTA. During the years that I have been in charge of the New York office practically the only shipper that we have served is Arbuckle, who ships no coffee by the conference lines, under any circumstances, and who ships only by our line when it serves his own purposes to do so.

Dr. HUEBNER. In other words, that would mean that every single shipper of coffee to the United States with the exception of one is shipping by the three conference lines to-day?

Mr. SLECHTA. Yes, sir; with one exception, that has been the case. The exception is the F. J. Weston Co., a New York coffee importer, which made one shipment a few days ago of 6,000 bags of coffee by our line. And while he has not told me anything about it, nor have I had any other explanation of it except my own conclusions, my own explanation of it is this, that Mr. Weston visited Brazil himself, and was able to buy the coffee on the market and not leave it to his correspondents there, who ordinarily ship the coffee, and who were a party to the agreement, but shipped the coffee in his own name and was therefore able to take advantage of our special rate.

Dr. HUEBNER. What is the other leading article that you bring from Brazil?

Mr. SLECHTA. That is the only article of importance. I might state in that connection that there are some very important products shipped from Bahai, which we ought to be able to carry, but which we can not, for exactly the same reason that we can not carry coffee.

Dr. HUEBNER. In other words, the deferred-rebate agreement operates against you on other articles than coffee?

Mr. SLECHTA. Yes, sir; in that case it is principally cocoa—the English call it cacao—and hides from Bahai, and some small amount of coffee.

Dr. HUEBNER. Who are your competitors in that business,—

Mr. SLECHTA. The same people.

Dr. HUEBNER. As regards the Amazon region?

Mr. SLECHTA. We do not go there. We did until a year ago. We had a fleet of very fine passenger steamers which were, withal, too small for the trade and could not pay under any circumstances, and upon my going to New York I advised the company to take them off. Those steamers were run from the mouth of the Amazon and carried a great deal of freight both ways in competition with Booth.

Dr. HUEBNER. In other words, the Booth Line is to-day the only line operating to the Amazon?

Mr. SLECHTA. It is to-day the only line operating to the Amazon.

Dr. HUEBNER. When you did operate there your rates on all leading articles were the same as charged by the Booth Line, were they not?

Mr. SLECHTA. I believe so. I have not exactly informed myself on that point. In general they were. In many cases we cut—we had no hesitancy in cutting if we saw an advantage in doing so.

Dr. HUEBNER. Your retirement from the field was not in any way by agreement?

Mr. SLECHTA. It was not, absolutely no, although Booth & Co. advertised that. We are already putting in some ships to the northern ports to show that there is not any arrangement.

Dr. HUEBNER. Do you know whether there is any arrangement between the Booth Line and the three conference lines to divide the territory and to keep the Amazon territory separate from the rest of Brazil?

Mr. SLECHTA. Well, about that—of course, whatever I say is pretty much conjecture, but my impression is that it is simply a tacit understanding.

The CHAIRMAN. It is equivalent to an agreement, though?

Mr. SLECHTA. It is equivalent to an agreement; yes, sir.

Dr. HUEBNER. You have heard that?

Mr. SLECHTA. Oh, yes; that is generally the understanding. In fact, the Booth Line is very powerful in the business there, not only from New York but from Liverpool. To start a competition of that sort would mean ruination probably not only to them but to some of the other people.

Dr. HUEBNER. Have you heard of any arrangement whereby certain lines agree to confine themselves to the Plata and stay out of the Brazilian trade?

Mr. SLECHTA. Oh, yes; there is no question but what a certain tacit understanding exists along that line, but I can say with reference to the Argentine, although my personal information will not make anything I say along that line particularly important, my belief is that competition with the Argentine is a working factor in the situation. That has been my understanding, and I believe it can be verified by communicating with any of the more important shippers to the Argentine.

Dr. HUEBNER. Has your line ever been invited to enter the conference?

Mr. SLECHTA. Not so far as I know. Along that line, I want to clear up an impression that was made by some of the testimony this morning. You will recall that that circular exempts the Lloyd Brasileiro.

Dr. HUEBNER. Yes.

Mr. SLECHTA. That is done because the Brazilian Government compelled them to do so. They insisted that discrimination should not be made against the Brazilian steamers, and in fact at one time they went so far—on two different occasions Federal legislation was passed severely penalizing any companies that did discriminate against the national steamships, but because of the peculiar situation in which Brazil finds herself it is very difficult for her to insist upon the enforcement of legislation of that sort. You must understand that Brazil is, in a most important degree, at the mercy pretty largely of the ocean transportation business. You have no such situation as exists here, for instance.

If the railroads to New York were to discriminate or to combine in such a way as to operate unfavorably against the merchandise to be exported, in other words, raise the rates on it in combination, the railroads to New Orleans or to Baltimore might set up a competition and ship the same products—certainly to Baltimore or Philadelphia. That situation is impossible in Brazil, because the railroad system is not developed to such an extent as to make it possible. For instance, while Bahia is only some 250 miles from Pernambuco, there is no efficient—I mean by that efficient for practical purposes—railroad system. There is no railroad system which could enter into the

freight situation and carry cargo; so that, for instance, if a steamship should discriminate against Pernambuco, it could be shipped equally well from Bahia, because the products that are shipped into Bahia can not be transported by rail to Pernambuco.

So, as regards most of the trans-Atlantic business, you must bear in mind the fact that Brazil has for 100 years been very largely dependent upon the development of her commerce, entirely upon her foreign commerce, and if she were to discriminate, or to take any really very severe measures against these lines, their boycotting would hurt the country very seriously. And that is the situation with which they are confronted, although I must advise the committee at this point that upon receiving your summons the other day I cabled the situation to my head office, and received the reply that their own Government was taking steps to effectively put the combine out of business. I asked for further details, which I have not received, although I am momentarily expecting an answer about it.

The CHAIRMAN. You say you did get a cable?

Mr. SLECHTA. I did get a cable.

The CHAIRMAN. Have you it with you?

Mr. SLECHTA. I did not bring it because it was not specific enough to be of any importance to you. I can give you an exact translation of it. It simply said that the matter will be taken care of here, which I understood to mean that the Brazilian Government was acting in the matter, and by the way I do not know whether the members of the committee are aware of the fact that my company is owned and operated entirely by the Federal Government of Brazil.

Mr. HARDY. That is exactly what I was going to ask you.

The CHAIRMAN. We understand that.

Dr. HUEBNER. The clause to which you refer in the claim for rebate reads that "Shipments at not below conference rates of freight and conditions to the United States of America by steamers of the National Brazilian Line, under the Brazilian flag, will not invalidate claims for rebate."

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Why do you not raise the rates to the same level that the conference lines charge? Would you get any business if you did that?

Mr. SLECHTA. I am glad you brought up that question, because that is exactly what our company did, but inasmuch as we have had no provision for paying rebates and did not care to do so, the effect of it was entirely lost.

Mr. HARDY. The effect of your raising to the conference prices was really charging them more, because you did not pay any rebate?

Mr. SLECHTA. Exactly. It was a case of "Heads I win and tails you lose." We could not cut below that, because our shippers would not be allowed to participate in rebates by the other lines, and if we put them up equivalent, by the very terms of the agreement, unless we wished to give rebates, we could not take advantage of it.

Dr. HUEBNER. When did you make that attempt to raise rates to the same level?

Mr. SLECHTA. As I say, that was before my connection with the company, but I believe it was about 1910, the early part of 1910.

Dr. HUEBNER. In other words, it is your impression with the deferred rebate system in existence no independent line could possibly get a foothold in the coffee business?

Mr. SLECHTA. I do not see how any line could, except ours. Our company has, as I say, the backing of the Federal Government.

Dr. HUEBNER. But you say that despite the Brazilian Government's aid you have been operating at a great loss all the time?

Mr. SLECHTA. I think for 1912, owing to the fact that the rates have been largely raised, we have been able to operate without any appreciable loss. But you can readily understand how profitable the business might be, and at the same time the rates greatly reduced, if we were able to obtain a fair proportion of the cargo on the upward run.

The CHAIRMAN. Let me see if I understand you: This line, the Brazilian Line, only operates between Brazil and the United States?

Mr. SLECHTA. So far as this service is concerned. I should have stated, perhaps, that the Brazilian Steamship Co., the Lloyd Brasileiro—in fact, the New York end of it is seldom heard of in Brazil. They operate a very large service in the coastwise traffic of Brazil. They operate 65 steamships on the coast and rivers of Brazil—no foreign service.

The CHAIRMAN. But they do not have any service between Brazil and European points?

Mr. SLECHTA. No, sir.

The CHAIRMAN. As I understand it, if it is simply a question of traffic between Brazil and the United States, your company, being owned by the Government, could control the shipments of coffee to the United States?

Mr. SLECHTA. May I ask you to please put that question again?

The CHAIRMAN. I say, if it was simply a question—if your merchants had no other matter to consider than the shipment of coffee, your steamship line would absolutely control all shipments to the United States, because you make a rate of 26 cents against 45 cents plus 5 per cent?

Mr. SLECHTA. Yes; there is no question about that.

The CHAIRMAN. But it is because they also have European connections and European freight and passenger business to consider that they are coerced into the patronage of these other lines, notwithstanding they are Brazilians and their Government owns the line?

Mr. SLECHTA. Exactly; that is the situation.

The CHAIRMAN. If your company had a line to Europe as it has a line to the United States, then it might control the situation?

Mr. SLECHTA. Well, even if they were to carry all the coffee from Europe they would be in a situation to just reverse—that is, we would not get any freight from Europe to Brazil.

The CHAIRMAN. For what reason?

Mr. SLECHTA. Because the service is so adequately provided for, and because we are not in a position to put on steamers that could compete.

The CHAIRMAN. And the same combination exists in the trade, of course, from Europe to South America?

Mr. SLECHTA. Yes; very largely. As I said before, that is exactly the point where the question of profits comes in. As the shipping world knows generally, American or Brazilian steamers can not operate on the basis that the French or German can—the German

and English particularly. It is out of the question, and if they were to try to compete in the European service they would shortly find themselves put to it for profit.

The CHAIRMAN. They would find all the European lines combined against them?

Mr. SLECHTA. Even if they were not; even if the freights—we will take for granted, say, that the rates for freight were only reasonable, not too high or too low, the English could make a profit when the Brazilian lines would find it impossible to do so, in the same way that American ships could not compete.

The CHAIRMAN. I believe their profit depends upon their freight carrying from Brazil to Europe. They could not afford to go back empty any more than you could afford to go back empty from here?

Mr. SLECHTA. No. However, that is another case where the whole South American situation must be taken into consideration. Those large passenger steamers—passenger and cargo steamers—that operate from Brazil to Europe do not initiate their voyage in Brazil. They initiate it over in Buenos Aires, or on the west coast, even up as far as Callao, in Peru, halfway up the western coast of South America, and they pick up cargo all the way along.

The CHAIRMAN. And then come up to Rio?

Mr. SLECHTA. Then come up to Rio, and then they go to Europe.

The CHAIRMAN. There is not direct traffic?

Mr. SLECHTA. Oh, yes, there is direct traffic. I mean to say, it is direct after it leaves Rio.

The CHAIRMAN. There is no steamship line which goes to Rio de Janeiro and remains there?

Mr. SLECHTA. No. Some of them will only go to Buenos Aires. That is, the German line—the Hamburg American Line—and the Royal Mail Line only run to Buenos Aires. But that is the most profitable part of their business because they carry the largest number of third-class passengers as immigrants there, and they also carry large quantities of merchandise there.

The CHAIRMAN. What do you know, if anything, from the information that you have, of the fact that the Royal Mail has taken over the Lamport & Holt and Prince Lines?

Mr. SLECHTA. I can not add anything in that respect to what Mr. Story said this morning. I think it is a matter of record that Sir Phillips, who is the moving factor in the ownership of the Royal Mail, and his friends have bought over a large share of the stock at least in the Lamport & Holt and some of the large English companies. In fact, it is generally understood, or felt at least, in shipping circles, that it is a movement looking to a very serious fight between German and British shipping interests.

Mr. HARDY. One question, Mr. Slechta. Have you ever thought of it as to why these conference lines do not penalize the New York shippers for patronizing you?

Mr. SLECHTA. Well, that is very interesting. I suppose, perhaps, the committee has not gone back into that. I only know of it from hearsay, but I believe up to seven years ago a similar system of rebating existed on the traffic in merchandise from New York to Brazil. A number of shippers—I think some five or six important owners in particular—resented this, and went into the market and took advan-

tage of lower freights which were offered by competitors, and they lost their rebates. They brought suit against the lines, and the suit was compromised, their back rebates paid, and rebates have not been paid since, or have not been offered since.

Mr. HARDY. In other words, they do not give the same medicine to the New York man that they do to the Brazilian for that reason, as you understand it?

Mr. SLECHTA. No, sir. I think it is very clearly understood by all that the remedy for that sort of thing exists in New York, while a very doubtful one exists or can exist for the other end of it.

Mr. HARDY. Your company belonging to the Brazilian Government, why might not the Brazilian Government pass laws requiring—

Mr. SLECHTA. That is what I am hoping they are doing. As I say, I have a telegram to that effect—

Mr. HARDY. You think that is the meaning of your telegram, that they will take care of you?

Mr. SLECHTA. Yes, sir.

Mr. HARDY. If that should be done in Brazil, and that has been the ruling of the courts in this country, will not that remedy the situation to some extent?

Mr. SLECHTA. Why, I think it would remedy it altogether.

Mr. HARDY. You think then you could do business right along?

Mr. SLECHTA. Yes, sir.

Mr. HARDY. And that would be the remedy you want?

Mr. SLECHTA. So far as the Brazilian conferences are concerned.

The CHAIRMAN. In other words, they could not afford to withdraw from the Brazilian trade?

Mr. SLECHTA. Absolutely not.

The CHAIRMAN. That is what they have been talking about here, that if we would attempt to enforce our antitrust laws against them they would retire from our trade.

Mr. SLECHTA. Let them do it. If they do, there are plenty of people to take their place.

The CHAIRMAN. They know that and they are not going to withdraw. For that reason, I say, enforce the law against them.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. Explain to the committee from the information you have the difference in rates between Brazilian points and our home ports and those to and from Europe. In other words, is there any discrimination against us?

Mr. SLECHTA. I should say that there is not, only in so far as I outlined to you previously, that the success and the profitable prosecution of the business on the part of the companies operating from Europe to Brazil, for their own protection, requires them not to cut rates in the United States from the United States to Brazil or Argentine, as compared with the rates from Europe to Brazil and the Argentine. Now, Mr. Story, my friend, said this morning something about the cement situation. I take that simply as the case in point, and as a matter of fact I have been the humble instrument of enabling Americans to sell cement in Brazil by taking advantage of the fact that the rate in Europe on cement went up sufficiently to enable us to carry cement at a profit, at a slightly higher rate than we could have gotten before.

The CHAIRMAN: I call your attention to the statement made by Mr. Story, that the Brazilian Government gives us the preferential rate on flour, I believe, of 30 per cent and on some 18 or 19 other commodities of 20 per cent, and notwithstanding that we are unable to overcome the situation created by these conference lines.

Mr. SLECHTA. That is the situation, and if my memory serves me correctly, the letter signed by Mr. Lay was written by myself at the time I was in the consulate; at least, I am perfectly sure I gave the facts in the letter, because the incident occurred before Mr. Lay was there, so that I happened to know something about that. As a matter of fact, I learned to interpret that somewhat differently since I have been in New York, although my former interpretation may be correct, but my own belief in the matter is now that that rate was probably not put up for the purpose of protecting the European manufacturer of cement, but the fact of the matter is that the rate of cement from Europe went up at that particular time, so they had to raise it on this side. I may be wrong, but that is a perfectly honest interpretation. As I say, we have shown our good will in the matter of increasing the cement rate as in everything else—in the case of cement particularly—by placing our steamers alongside the railroad's pier in Jersey City, so as to save the shipper of cement the lighterage on his products to enable him to sell it that much cheaper in Brazil.

The CHAIRMAN. Is it true that the American shipper of those commodities does enjoy that preferential rate?

Mr. SLECHTA. Yes, sir. It is a matter of Government record, of course.

Mr. HARDY. Does that help you to get your cargo going down, or does that help the outward shipments from New York to Brazil?

Mr. SLECHTA. You mean does it encourage it?

Mr. HARDY. Yes.

Mr. SLECHTA. Well, to be sure it enters as a factor into the price which the manufacturer is able to offer to the buyer in Brazil, but so far as trade is concerned it does not directly serve us in any way.

The CHAIRMAN. If the combine raised the rates to help you, it would not help them a bit, would it?

Mr. SLECHTA. No; and at the same time the situation is this: We have to fill our ships with the best-paying cargo that we can get, and if we can get something more by carrying something else than cement we are going to do it.

The CHAIRMAN. The rates have gone up very sharply, have they not?

Mr. SLECHTA. I may say that when I came here we were paying our chartered vessels about 4 shillings 6 pence per ton per month. That is the arrangement for chartered vessels on what is known as the time charter, and at the present time what we are paying is practically double that, or very nearly so. I dispatched a steamer day before yesterday for which we are paying 7 shillings 6 pence.

The CHAIRMAN. That is on account of the increased demand for tonnage?

Mr. SLECHTA. Exactly, and the freight rates have not increased anything like in that proportion, so that you see where we stand.

The CHAIRMAN. Have not ships enough to carry the cargo?

Mr. SLECHTA. No, sir.

The CHAIRMAN. It would be a good chance for tramp ships.

Mr. SLECHTA. Those are tramp steamers that we chartered. Yes, it is a very good chance for that. As a matter of fact, I am not envious at all of the owner, because 8 or 10 years previously they have been barely able to make expenses, and they are now reaping a harvest.

Dr. HUEBNER. Mr. Slechta, do you make any contracts with individual shippers?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Do those contracts involve different treatment for those particular shippers as compared with the smaller shippers?

Mr. SLECHTA. No, sir. So far as our line is concerned, it has never discriminated against large or small shippers. We, however, do change rates. We have not a published schedule, and it many times happens, for instance, we have a steamer very nearly full, and she is practically ready to sail, and we offer lower rates to fill it.

Dr. HUEBNER. But at a given time the rates are the same.

Mr. SLECHTA. At a given time the rates are the same to everybody, absolutely.

Dr. HUEBNER. Do you know whether that same kind of treatment is afforded to all shippers by the conference lines?

Mr. SLECHTA. Well, I really have not anyway of saying. I never have heard nor have had it reported to me by any of our friends, and we have a good many in the export business, that there was any such discrimination.

Dr. HUEBNER. Have you heard of any contracts being made with some of our large corporations?

Mr. SLECHTA. No, sir; I have not heard of any such contracts. I know they do make contracts, but that they are discriminatory in any respect, I have no knowledge whatever.

The CHAIRMAN. Is it a fact that there are many firms in this country who are exporters that are not willing to enter into any of these ironclad agreements with the conference lines by which they shall have their traffic, if they chose to avail themselves of tramps whenever they care to? Are they not discriminated against by the conference lines? In other words, they are often informed that they have no space or it is not convenient for them to carry their commodities, and they are put to great inconvenience and delay in transporting their goods from this country to South America on that account.

Mr. SLECHTA. Well, that is the situation about which I am sure I can put no light whatever. As a matter of fact, the very nature of the steamship business is such that such a thing as that is almost impossible to ascertain. I assure you that with the years of experience I have had I believe that it is entirely possible for me, as the representative of any steamship company, to discriminate in just that way if I wish to do so and nobody would know anything about it or be any wiser, except the members of the company. For instance, if we had booked a cargo, either verbally or in writing, practically sufficient to fill a ship, and a ship, we will say, had begun her loading, I do not understand how it is possible for anyone, for instance, if I should see fit to say to a customer against whom we had a grudge that we had no space, how it would be possible for anybody to prove that we did have space. It is practically impossible.

The CHAIRMAN. Unless somebody would go aboard and verify the facts.

Mr. SLECHTA. They could not do it. It is absolutely impossible.

The CHAIRMAN. At the time of sailing?

Mr. SLECHTA. At the time of sailing, but in the meantime we might get a cargo that would fill it.

The CHAIRMAN. Have you given this situation any thought? Are you able to suggest to the committee any remedy for it? Do you think the situation is one that ought to be remedied, or is it entirely satisfactory?

Mr. SLECHTA. It certainly is not satisfactory to our company, because as I say—

The CHAIRMAN. Take it from the standpoint of your being an American citizen.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. Take it from the standpoint of an American citizen and our American industries and our export trade, would you regard the situation as satisfactory?

Mr. SLECHTA. Highly unsatisfactory, and wholly on account of this rebate arrangement. I think the committee should place its emphasis entirely upon that point. I do not see that there is anything else or any ground on which complaint can be made or complaint founded against.

The CHAIRMAN. You regard the situation as a serious handicap upon the increase of our export business?

Mr. SLECHTA. I should make a reserved statement along that line. As a matter of fact, our friends, the enemy—our competitors—have largely increased their sailings during the present year. That they have increased them sufficiently to provide for all of the increased demands for space I very much doubt. At the same time they are following a very conservative policy, and in all probability they are increasing their tonnage relatively about as fast as they would in the European service.

The CHAIRMAN. What would you suggest as a remedy?

Mr. SLECHTA. I have not any conception of the legal or constitutional difficulties which might be set before your body in framing legislation to cover this situation.

The CHAIRMAN. Just overlooking that—

Mr. SLECHTA. As I said a moment ago, the situation is one that depends entirely on economics; in other words, the profits of the transportation business. If we are to begin, for instance, to extend our forces or attempt to do so as a nation and coerce foreign steamship companies who may get their contracts outside of the United States, we will bring down the boycotting of the nation whose citizens own those steamship companies against our manufacturers. I feel that very strongly.

The CHAIRMAN. Do they not discriminate against them now?

Mr. SLECHTA. As a nation, no; nor do they discriminate for the purpose of discriminating against manufacturers, as shipowners.

The CHAIRMAN. Is there not a very profitable business between this country and Brazil that could be developed if we had adequate facilities, passenger and freight facilities?

Mr. SLECHTA. It is being developed, Judge Alexander. I have not the official data on the matter, but I have kept very close track of the

situation, and during 1912 the business of the United States in Brazil exceeded between \$8,000,000 and \$10,000,000, and that is probably as large a proportion in proportion to what we had before as the increase of any other nation and probably larger. Now, that in face of the fact, gentlemen, that the investments of capital in railroads and industries of all kinds in Brazil and in the Argentine are European and not American.

The CHAIRMAN. You would except—

Mr. SLECHTA. That is the important feature of the whole situation as regards the development of commerce in Brazil and in the Argentine, in fact, all of Latin America. In the Argentine you have practically the entire railroad system controlled directly or indirectly by British capital. In Brazil, although American capitalists and promoters have gone in there very largely the capital is still European—British, French, and Belgian—but even in that respect, the illustration is apt in showing what is accomplished by that very thing. The fact that those men, Americans, should have begun those railroads who have taken foreign capital into the railroads in Brazil have had a sufficient influence to greatly add to the advantage and prestige of the American manufacturers in Brazil, and to that fact I attribute the very large increase that I spoke of during the last year. One of the large bookings we have made for freight during the current year is one we are taking care of at the present time, 600 freight cars manufactured by a Pennsylvania concern and sold to the Central Railroad of Brazil, which is a Government concern, and, as I understand it, very largely is the result of the good impression that was made upon the officials of that road by American rolling stock used on these American-controlled railroads that I speak of.

That, gentlemen, is the situation that confronts the Americans in the development of American commerce abroad.

Mr. HARDY. Mr. Slechta, you said just now that if we were to take drastic action in forbidding these combinations from working their will with reference to our affairs, that it might bring on a European boycott of our manufacturers. What I want to ask you, is, does not that same nonpatriotic quality apply to commerce in all its phases that it does to the shipping interests, and does not the merchant buy his goods where he can get them the cheapest, if they are the quality that sells?

Mr. SLECHTA. Yes.

Mr. HARDY. Is there any such a thing as a "boycott" in commerce?

Mr. SLECHTA. It was not in my experience on patriotic grounds. We have a guest here, our good friend the consul general, Mr. Anderson, at the present time at Hongkong, who served as my chief four and one-half years ago—

Mr. HARDY. I was going to say possibly in the Boxer uprising in China.

Mr. SLECHTA. In Brazil, who can bear me out in the fact that it is pretty largely a matter of dollars and cents, and a matter of showing a man what you have got to sell.

Mr. HARDY. Do you not think that notwithstanding any law we might pass here with reference to the shipping combine, that if our merchants down there in Brazil were to show the merchants here that their commodities from this country and trading in them would bring him a profit greater than in trading in the commodities from some

other country, that merchant would trade in our commodities—is not that a fact universal?

Mr. SLECHTA. That is my understanding of it and thorough belief.

Mr. HARDY. When you get down to the bottom of that idea of European factors and nations boycotting our manufacturers, do you really think there would be much in that?

Mr. SLECHTA. Perhaps I used the wrong term. What I meant to say was and the idea I intended to convey was just this: That foreign Governments are going to take it as an unfriendly act on the part of the United States.

Mr. HARDY. And would retaliate?

Mr. SLECHTA. And would retaliate—not necessarily retaliate commercially, but possibly even commercially.

Mr. HARDY. Retaliation is a governmental matter. The governments do that as far as they can by passing counter legislation.

Mr. SLECHTA. Exactly. However, I simply mentioned that as a possibility. It seems to me that in this case of the rebates, if it can be shown that the agreements providing for these rebates are carried out, not necessarily made, but are in any respect carried out in the United States—in other words, for instance, the rebates are paid in New York, it seems to me American law can be easily made to apply to that; if it does not exist, put it in the statute books.

Mr. HARDY. Suppose it is not paid in New York; suppose it is paid in London?

Mr. SLECHTA. Yes.

Mr. HARDY. But the recipients are in New York, and the commerce is between New York and Brazil?

Mr. SLECHTA. I should say that a thing of that sort is a matter of diplomatic intercourse.

Mr. HARDY. If these rebates grow out of transactions here they are subject to the jurisdictions of the United States.

The CHAIRMAN. If the transaction is conducted in the United States that would be sufficient to bring it within our right to regulate it.

Mr. HARDY. Let me ask you this further question: If you had all the rebating stopped, would that prevent discriminations that would enable the conference lines to say to their patrons down there in Brazil, "If you patronize some other line we will not take your goods to ship for you"?

Mr. SLECHTA. I do not think it would do away with that difficulty.

Mr. HARDY. Would your remedy be partially complete if you had rebates stopped or would these other things be still enough to perpetuate the power of the conference?

Mr. SLECHTA. It would be a help in the right direction. The difficulty is, perhaps, as you gentlemen have reason for knowing better than I, that any investigation is not continuous.

Mr. HARDY. You mean when you stop up one crack there is another where it will break out?

Mr. SLECHTA. Exactly. It means continual supervision of those things in order to get any effective action. So far as the rebate system is concerned, as I said before, it seems to me that adequate and thorough control of the situation really lies with Brazil. In the same way a rebate on the export of merchandise from this country,

that is, shipments for export, lies here. There is not any question but what existing legislation, to my mind, is sufficient to protect American manufacturers against that. I refer to the Sherman anti-trust law.

The CHAIRMAN. That would break up one combination and another might break out in its place.

Mr. SLECHTA. Witness the Standard Oil Co.

Mr. HARDY. Is it a matter of any more importance to this country whether the shipments from it or shipments to it are affected by this rebate? It is just about as much important one way as another?

Mr. SLECHTA. I am afraid I did not get your point.

Mr. HARDY. When I asked you why the conference did not penalize a New York shipper, you said because of a decision in a suit that was brought?

Mr. SLECHTA. Yes.

Mr. HARDY. Is it any more important in this country that there should be no discriminations against it in exports than it is that there should be none against it in imports?

Mr. SLECHTA. I do not think that it is, except for the fact that our interests are simply more diversified in that respect.

Mr. HARDY. That is, we have more exports than imports?

Mr. SLECHTA. Yes; and not only that, but it covers such a variety of industries. In the case of coffee, for example—we get all the coffee that we wish to drink anyway, and it costs very little more.

Mr. HARDY. The law would not apply to coffee alone, but would apply to all such combinations.

Mr. SLECHTA. I mean in this particular case.

Mr. HARDY. As to Brazil, yes?

Mr. SLECHTA. Yes.

Mr. HARDY. So, your only suggestion is to stop rebates?

Mr. SLECHTA. It seems to me that would solve the situation. There is not any question of the profitableness of the business, at least under the present conditions, and along that line I would like to say that if the committee knows of any American investor who wishes to take an interest in an American steamship line to Brazil and is willing to take an earning of 5 per cent, I believe that I can convince him that it can be done, but I do not believe any investor or set of investors who are capable of raising \$5,000,000 would agree to go into an enterprise where the profit is certainly not to be much larger than 5 per cent a year. Foreign steamship companies are to-day—at least up to within the past year, have been—operating for years upon a net return of not more than 3 per cent, and glad to get it. So far as running an American steamship line from here to Brazil or from here to anywhere else, the situation is as I explained.

The CHAIRMAN. We have the Sherman antitrust law and the department of the Government shows a willingness to enforce it; and you say that the Brazilian Government, as you understood that cable to mean, were going to legislate along the same lines?

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. And if they should enact a law along the same lines and vigorously enforce it, and our Government should vigorously enforce the Sherman antitrust law, we would then be able to solve the question.

Mr. SLECHTA. It would leave the thing open to competition; that is the way it looks to me.

The CHAIRMAN. That is one view of the way to solve it.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. What do you think of bringing this ocean traffic under the supervision of the Interstate Commerce Commission, like our railroad traffic? They are common carriers and subject to regulation.

Mr. SLECHTA. Well, are ocean transportation companies common carriers in the sense that a railroad company is?

The CHAIRMAN. Certainly; there is no question about that.

Mr. SLECHTA. Just how? I ask for information. A railroad is a concern that has a concession and a right of way and the right of eminent domain granted it by the Government. Does the steamship line have any right of eminent domain?

The CHAIRMAN. Street car companies are common carriers; a bus line is a common carrier.

Mr. SLECHTA. Has it a right of way?

The CHAIRMAN. A bus line is a common carrier.

Mr. SLECHTA. Surely.

The CHAIRMAN. It does not exercise any right of eminent domain.

Mr. SLECHTA. However, that is a matter of common law pretty largely, is it not?

The CHAIRMAN. Long before we had railroads these carriers for hire were recognized as common carriers and subject to regulation.

Mr. SLECHTA. I am asking for information. I really never have seen any clear statement upon that point.

The CHAIRMAN. Simply because one is a carrier by water and the other is a carrier by land does not change the legal status.

Mr. SLECHTA. What makes the railroad a common carrier in the sense of the law?

The CHAIRMAN. A bus line is a common carrier, for hire.

Mr. HARDY. Offering its services to the public for hire makes it a common carrier.

Mr. SLECHTA. Under the common law?

Mr. HARDY. I think it does.

Mr. SLECHTA. I was simply asking for information. I really have not any very accurate conception.

Mr. HARDY. Otherwise we could not regulate much transportation. Your idea was that it was dependent on the right of eminent domain? If that were so, nothing but railroads would then be common carriers.

Mr. SLECHTA. Not depending upon it, but I mean one feature of the common carriers simply as regards a railroad, is the fact that it has an important franchise and grant giving it very important privileges, which depend upon the use of the land.

Mr. HARDY. That is one equitable basis on which the right to control largely hinges, but it is not the only one by any manner of means.

Mr. SLECHTA. Why is that?

The CHAIRMAN. That is not the element which makes it a common carrier.

Mr. SLECHTA. The fact that it carries goods for hire is the thing that makes it a common carrier?

The CHAIRMAN. That is the feature which makes it subject to governmental regulations in many respects—regulation of rates and anything like that. But what we want, without going into a discussion of that

question, is, assuming the Government has the right, under the interstate commerce provision of the Constitution to regulate these water carriers, do you think they ought to be brought under governmental control?

Mr. SLECHTA. I certainly think either a coastwise or an ocean transportation company that has the privileges of the ports, solicits business there, and makes an earning on the basis as a result of the business it does there, ought to come in for a share of regulation.

The CHAIRMAN. I think if they were brought, for instance, under the supervision of the Interstate Commerce Commission or some other tribunal of like jurisdiction, and they make agreements, those agreements ought to be subject to the supervision of the Government to determine whether or not they were just or unjust or discriminatory; that they should be compelled to file their rates absolutely free from discrimination against shippers in the matter of the receipt and dispatch of freight and passengers and the further provision that they should not discriminate as against carriers. For instance, a shipper would have the right to have his goods billed from any interior point in the United States, to Brazil, over any ocean line that he might use, and so with a rate coming into the United States that same freedom should be granted to foreign shippers, which, I think, would be desirable and tend to keep rates down. I do not mean to destroy competition, but to regulate them and see that every man got a reasonable rate and no discrimination as between them.

Mr. SLECHTA. I should say it would be a very difficult thing to do in the first place. I think it would be highly desirable; but if I were to suggest a remedy along that line—it may sound very academic—but I would suggest an international agreement.

The CHAIRMAN. That is a very hard thing to effect.

Mr. SLECHTA. At the same time, if it is worth while, it would be worth while working for. I do not see how, for instance, if you put it purely on a national basis; if, for instance, the United States were to attempt to control ocean transportation companies doing business between here and Europe in that respect, a great deal of its efforts might be vitiated by the agreements made in Europe.

The CHAIRMAN. Do you think that because an agreement is made in Europe it could not be carried out in this country?

Mr. SLECHTA. Not until the passengers were landed.

The CHAIRMAN. We have a suit pending now. The Department of Justice has brought suit against lines in the North Atlantic trade.

Mr. SLECHTA. That is a case of booking passengers from here to Europe.

The CHAIRMAN. No; it is from Europe to here.

Mr. SLECHTA. Would it apply in that case?

The CHAIRMAN. Yes; to the immigrant trade particularly. Commerce is war, is it not; between nations?

Mr. SLECHTA. It is certainly competition.

The CHAIRMAN. Very well; each nation is seeking—and I am not saying it in a spirit of criticism—the advantage of other nations to extend its commercial business, hence it is a very difficult matter to come to an international agreement, to frame an international agreement for a basis of trade.

Mr. SLECHTA. It is possible for nations to come to international agreements with reference to war itself, and I do not see why it is not possible to come to agreements in reference to commerce.

The CHAIRMAN. They always violate them, however, in war.

Mr. SLECHTA. If they are high-class nations, they do not.

The CHAIRMAN. Yes, they always violate the laws of neutrality in war.

Mr. SLECHTA. However, that is due to human weakness, I think. Probably the Standard Oil, and some other companies, will eventually violate decrees issued against them, but that does not operate against the findings of our courts.

The CHAIRMAN. We are talking about something that shall be effective, though. Has any member of the committee any questions to ask?

Mr. THAYER. I should like to ask the question I asked this morning. Do you know whether the steamship lines in Brazil are under a legal obligation as common carriers, as they are here, as our railroads are?

Mr. SLECHTA. You mean to ask, is there a remedy in Brazilian law?

Mr. THAYER. No; an agreement that I am obliged to take all freight that is offered, and in the order it is offered.

Mr. SLECHTA. I do not know of any such law. I do not know of any such law in this country. Do you mean as applied to railroads or as to the steamship business?

Mr. THAYER. Oh, yes; there is.

Mr. SLECHTA. In other words a man comes along and offers me a carload of cement to be shipped in my steamer, which I can not possibly carry at a profit, do you mean I must accept it, although I wish to fill my ship with some cement and with some other cargo?

Mr. THAYER. Not to discriminate against any other customer.

Mr. SLECHTA. Having the same kind of cargo?

Mr. THAYER. Yes; of course you would be allowed to make every reasonable regulation.

Mr. SLECHTA. I doubt very much whether there is any such law existing—in fact, I know there is not any such law existing that would make that incumbent upon an ocean transportation company.

The CHAIRMAN. If there is nothing further you may stand aside. We have not excused you yet, but you may stand aside for the present.

TESTIMONY OF MR. JOSEPH PURCELL.

The CHAIRMAN. Kindly give your name, address, and business to the stenographer.

Mr. PURCELL. My name is Joseph Purcell, of the firm of Hard, Rand & Co., 107 Wall Street, New York, importers of coffee.

The CHAIRMAN. A subpoena duces tecum has been served on you, Mr. Purcell, to produce certain papers and documents.

Mr. PURCELL. The subpoena says "papers between New York and Brazil." All of our business is between Brazil and New York. We do not do any business between New York and Brazil.

The CHAIRMAN. The subpoena says:

Any contract, agreements, or arrangements, originals or copies, and in the form of correspondence which he has made with any steamship company or companies operating between New York and Brazil or other South American ports.

Mr. PURCELL. I thought you meant the other way. That is the way we do business—between Brazil and New York, but nothing between New York and Brazil.

The CHAIRMAN. This subpoena commanded you to furnish the committee with any such contracts, or agreements, or arrangements between yourselves and any company or companies operating between New York and Brazil.

Mr. PURCELL. All the contracts and agreements and the papers and books pertaining to that business have been delivered already to the Government, for which I hold a receipt in New York.

The CHAIRMAN. You may tell the committee whether or not your firm is a party to any deferred rebate agreement with any of these companies operating between Brazilian ports and the United States.

Mr. PURCELL. They are.

The CHAIRMAN. State what those agreements are.

Mr. PURCELL. I have not a copy of the contract, so I could give it to you verbally.

The CHAIRMAN. I understand the originals are in the possession of the Government.

Mr. PURCELL. The salient point of it is that we are to ship by the syndicated lines.

The CHAIRMAN. Tell the stenographer what lines those are.

Mr. PURCELL. Lamport & Holt, Prince Line, and the Hamburg South American.

The CHAIRMAN. Proceed, Mr. Purcell. You are to state the substance of those agreements.

Mr. PURCELL. The substance is we agreed on a maximum rebate of 10 per cent.

The CHAIRMAN. On what?

Mr. PURCELL. On the freight.

The CHAIRMAN. What kind of freight?

Mr. PURCELL. Coffee, the only thing we ship.

The CHAIRMAN. When are those rebates payable?

Mr. PURCELL. If I had the contracts I could tell you, but I can not tell you now. I do not know the dates. I can not give them to you even approximately.

The CHAIRMAN. Are they to be paid at each shipment?

Mr. PURCELL. No; they are paid at stated periods during the year. I do not know whether once, twice, or three times a year. All those details our head clerk attends to. Our firm in Brazil signs a contract agreement with the syndicated lines, and a copy of that contract is sent to New York. That contract is turned over to the clerk, and he carries out the provisions of that contract. Now you could not get any one of the partners to give you anything but the salient points of that contract.

The CHAIRMAN. How is that?

Mr. PURCELL. You could not get any one of the parties to give you anything but the salient points of that contract offhand. If we need it, we sent for a copy of it.

The CHAIRMAN. Do you say you never saw the contract yourself?

Mr. PURCELL. Yes, sir; I have.

The CHAIRMAN. Have you read the contract?

Mr. PURCELL. Yes, sir.

The CHAIRMAN. Then, can you not recall anything so important as that?

Mr. PURCELL. I have given you the important points, namely, that we get 10 per cent rebate. That is the only part that concerns us in the business, the net rate of freight.

The CHAIRMAN. That agreement is still in force between you and the conference lines, is it not?

Mr. PURCELL. It is.

The CHAIRMAN. And pursuant to the terms of that agreement or understanding or contract, you do from time to time receive these rebates, do you not?

Mr. PURCELL. Yes.

The CHAIRMAN. Upon what condition do you get this rebate of 10 per cent?

Mr. PURCELL. Well, we have to be supporters of the line.

The CHAIRMAN. Explain that more specifically.

Mr. PURCELL. We have to ship everything by the syndicated line, except when we charter 10 cents per bag below their rate of freight; then we are privileged to charter without jeopardizing our rebates.

The CHAIRMAN. What rates do you get from the syndicated lines on coffee?

Mr. PURCELL. The rate now is 50 cents per bag, and 5 per cent primage; that is what we pay when the coffee arrives; we pay that freight, 50 cents and 5 per cent.

The CHAIRMAN. Now, if you get it for 45 cents, if you could charter, say, a tramp ship—

Mr. PURCELL (interposing). No; at 50 cents we would have to be able to charter at 40 cents. We have got to be able to charter at 10 cents below their rate.

Mr. HARDY. Ten cents or 10 per cent?

Mr. PURCELL. Ten cents per bag.

The CHAIRMAN. And 5 per cent primage?

Mr. PURCELL. Generally all freights have primage. There are very few of them net.

Mr. HARDY. Then you can not charter cheaper than your freight rates with rebates?

Mr. PURCELL. The syndicated lines can not keep their rates more than 10 cents above what we can charter at. When they advanced their rates higher in October we entered the market to try to charter a vessel and found we could not, so we had to pay their 50 cents.

The CHAIRMAN. Here is the Lloyd Brasileiro that has a standing rate of 26 cents; that is 24 cents below. Why do you not ship coffee by the Lloyd Brasileiro?

Mr. PURCELL. Because by the syndicated lines the rate of freight is not the only factor in our business. We have got to have regularity of shipments and efficient service, which we could not get by the Lloyd Brasileiro.

The CHAIRMAN. They say that they have two or more cargo steamers leaving Brazilian points each month.

Mr. PURCELL. That would not be enough. Now, I do not think they have two or more. I think they have irregular dates of sailing.

The CHAIRMAN. And you must have regularity, as I understand?

Mr. PURCELL. Yes; we sell coffee to the people in the interior—shipments the first half or the second half of the month—and we sometimes sell them two, three, or four months ahead. Now, when we make that contract with our interior purchaser we know we are going to get the tonnage for it, and the syndicated lines are going to furnish a steamer to carry that coffee.

The CHAIRMAN. And you are willing to pay the increased rates?

Mr. PURCELL. We are willing to pay them for that. We are an outsider.

The CHAIRMAN. In return for the quality of the service?

Mr. PURCELL. And for regularity of the service. We are compelled to ship coffee from three ports, Santos, Rio, and Victoria, and we get that service for those three ports when we need it. They have the tonnage we want and when we need it.

Mr. THAYER. What is the weight of a bag of coffee?

Mr. PURCELL. Sixty kilos, or 122.30 pounds net.

Mr. THAYER. Take an ordinary shipment; what will it run? You get coffee in what bulk lots?

Mr. PURCELL. Some steamers will only carry 30,000 bags, and others will carry over 100,000 bags.

Mr. THAYER. But I mean to say, when you import, you import 50,000 lots or something like that, do you not?

Mr. PURCELL. We have done as much as that when we were chartering steamers; we have had those that carried 80,000 bags.

The CHAIRMAN. Have you ever tried to contract with Mr. Slechta for the service by his line and stipulated that you should receive cargoes at different periods?

Mr. PURCELL. Recently we asked him for a rate of freight on a round lot of coffee, but the sailing did not suit us.

The CHAIRMAN. How often does he have sailings?

Mr. PURCELL. I think he gave us two; one was on the berth and the other was indefinite—the sailing of the second one.

The CHAIRMAN. How often does he have sailings?

Mr. PURCELL. I do not know; I do not pay any attention to that.

The CHAIRMAN. There is quite a difference in the rate there. Do you not think it would be a good idea to encourage his company?

Mr. PURCELL. No; because we are satisfied with our arrangement with the syndicated lines.

The CHAIRMAN. In other words, so long as your customers will stand the increase, there is no kick on your part, is there?

Mr. PURCELL. The rate of freight does not amount to anything; it is always added to the cost of selling the goods.

The CHAIRMAN. And the consumer has to pay it, has he not?

Mr. PURCELL. No; the consumer does not have to pay it. We have to compete with the competitor whom we are selling coffee against. We give a net price, cost and freight, to the customer, and in that net cost the rate of freight is figured. We can not add 5 cents per hundred, or any part of it; if our competitor offers rates we have got to meet them or lose the business.

The CHAIRMAN. Of course he pays the same rate of freight you do, does he not?

Mr. PURCELL. Sometimes they do, and sometimes they do not.

The CHAIRMAN. In other words, you have to meet the competition of those whose—

Mr. PURCELL (interposing). We have got to meet the competition of people who underbuy us.

The CHAIRMAN. Tramp steamers?

Mr. PURCELL. No; shipments by the Lloyd Brasileiro.

The CHAIRMAN. It seems that although theirs is a national line they do not get much coffee shipments?

Mr. PURCELL. No; they do not give the service. They have not the service of the syndicated lines.

The CHAIRMAN. Because the syndicated lines have got yourselves and other large importers tied up in such a way they can not get the profit. If you were to break away, it might solve the situation; make your freight rate less and you would be able to give the American consumer coffee at a less price, would you not?

Mr. PURCELL. If you look at this thing just as a business man——

The CHAIRMAN. I want you to develop the matter here.

Mr. PURCELL. If you were trading with a firm, an individual firm or a corporation, and you had been doing business with them for years, and their prices and their service was satisfactory, would you treat with another one on the same terms? Would you not give the preference to the man you were doing business with satisfactorily?

The CHAIRMAN. I would, under normal conditions, if a man would offer me the same service; that is, to import a commodity in which I dealt at 26 cents as against 50 cents that another one demands, I think I would cut out the 50-cent man, unless there was some controlling reason.

Mr. PURCELL. So will we. We do that.

The CHAIRMAN. No; you stick to the 50-cent man.

Mr. PURCELL. Because he gives us the service we want. We have got to have the service.

The CHAIRMAN. Is it not true that just as long as the customer will stand it?

Mr. PURCELL. No; you have got a wrong idea about the customer.

The CHAIRMAN. He has to pay, does he not?

Mr. PURCELL. Our customer buys from the man he can buy the cheapest from.

The CHAIRMAN. Very well; you have got to pay the cost of the coffee in Brazil; then you add to that the cost of transportation, do you not?

Mr. PURCELL. The rate of freight; yes.

The CHAIRMAN. That is 50 cents?

Mr. PURCELL. I take the net rate of freight into consideration in the cost of sale.

The CHAIRMAN. Then, you have got to have your profit over that, have you not?

Mr. PURCELL. Yes.

The CHAIRMAN. If this other man could get the service at 26 cents, he pays the same price for his coffee there that you do, does he not?

Mr. PURCELL. Yes, sir.

The CHAIRMAN. He would put you out of business, would he not, Mr. Purcell?

Mr. PURCELL. Perhaps he does.

The CHAIRMAN. That is, he could afford to sell his coffee for much less than you; for as much less, at least, as the difference in the freight rate, could he not?

Mr. PURCELL. He might not be able to deliver the coffee at the time the customer wanted it, though.

The CHAIRMAN. Have you ever made any effort to solve the situation in that way?

Mr. PURCELL. The only effort we make is to get the lowest rate of freight we can possibly get; to buy our coffee at the very lowest price we can buy it at, and whoever gives us that lowest price and gives us efficient service is the person we do business with.

Mr. HARDY. You said just now you were allowed to charter a boat if you could get a rate of 10 cents a bag less, did you not?

Mr. PURCELL. Yes, sir.

Mr. HARDY. When you had that privilege, and this man stands ready to bring your coffee at 24 cents per bag less, the difference between 26 and 50 cents, why did you not charter one of his vessels?

Mr. PURCELL. I do not know that they charter them. I never heard of them chartering their vessels. We enter the market for charters, and I suppose if their vessels were put up we would have competed for one of them.

Mr. HARDY. Do you not suppose they would charter them to you, if they could get them loaded and bring them back here?

Mr. PURCELL. I do not know. We put an order in the hands of a shipping broker, and he brings our charter where he can get vessels.

Mr. HARDY. Is not your interest clearly defined to this, that if you get your freight as cheap as anybody else, you can compete with them?

Mr. PURCELL. That is right.

Mr. HARDY. Does not that further bring up the idea that your purpose is to prevent any cutting under your freight rates to kill out these competing ships?

Mr. PURCELL. We have nothing to do with the killing out. You have got the wrong impression in your mind.

Mr. HARDY. I want to understand why it is you let them write your charter 10 cents a bag below your ordinary freight rates?

Mr. PURCELL. That is to keep the syndicated lines from overcharging us in freight.

Mr. HARDY. When you had that privilege, why could you not charter one of those vessels that are ready to bring it?

Mr. PURCELL. They were not offered us.

Mr. HARDY. You do not wait for an offer when you can get a good bargain, do you?

Mr. PURCELL. I do not think they charter their vessels.

The CHAIRMAN. They do charter a great many vessels, I understand.

Mr. PURCELL. I never heard of it. They charter vessels, but they do not put their vessels in ship brokers' hands for charter as I know. I never heard of it.

Mr. HARDY. I am not in the business, but does it not seem to you that if you had a ship empty at Rio de Janeiro and wanted to bring it up here and could not get a cargo any other way, you would charter it to a man who had a cargo and wanted to ship?

Mr. PURCELL. I can not answer that. I do not know what the Lloyd Brasileiro would do.

Mr. HARDY. Did you ever try to find out about that?

Mr. PURCELL. No; we do not have to. We go in the regular channels when we want to charter vessels to get that charter either in the United States or in Europe; we try both places.

Mr. HARDY. But you knew those vessels were there empty seeking cargoes back, did you not?

Mr. PURCELL. They were not offered for charter.

Mr. HARDY. But people usually make an effort——

Mr. PURCELL (interposing). When we charter a vessel we charter it for loading at a certain time. All conditions have got to be satisfactory to us, otherwise we do not charter.

Mr. HARDY. You do not always wait for a man to ask you on a trade, do you?

Mr. PURCELL. No; we give an order to a ship broker to look up—we ask him what he has. He tells us.

Mr. HARDY. Does your contract allow you to get your shipments at more than 10 cents per bag below the contract price by chartering a vessel if you get it at more than 10 cents below the contract price?

Mr. PURCELL. Yes; we can charter at anything below 10 cents.

The CHAIRMAN. Then you forfeit your rebate, do you not?

Mr. PURCELL. Yes; but at 10 cents below—we can charter at 15 cents below. Naturally they would have to come down.

The CHAIRMAN. But 10 cents below is just the actual rate they are charging you, is it not?

Mr. PURCELL. No; 10 cents below would be lower than their regular charter.

Mr. HARDY. At 50 cents?

Mr. PURCELL. At 50 cents, if we can charter at 40 cents we can do it without jeopardizing our rebates.

The CHAIRMAN. But in that event they would not lose anything in fact, because that is all they get finally after having paid the rebate?

Mr. PURCELL. No; they get more than that. Five cents is 10 per cent of 50.

Mr. HARDY. Is that allowance written on the face of your contract, that you are allowed to charter a boat?

Mr. PURCELL. Yes; I think I saw a form of contract here that looked very much like the contract. I think if you read that you will find it says so right in that clause there.

Mr. HARDY. The purpose of that privilege is to enable you to prevent yourselves being imposed upon by too high a rate of freight?

Mr. PURCELL. That is right. That is what we call protection in regard to freight rates.

Mr. STEPHENS. Is that so-called protection to allow you to ship less than a cargo?

Mr. PURCELL. Oh, we can ship 10 bags if we want to, or 10,000, or 100,000. It does not make any difference.

Mr. STEPHENS. Then it would not be necessary to charter a vessel, if you only wanted to ship 10 bags?

Mr. PURCELL. Oh, you mean charter?

Mr. STEPHENS. Yes.

Mr. PURCELL. We would have to charter a vessel, yes; but it depends on the capacity of the vessel.

Mr. STEPHENS. Your agreement does not permit you to ship 100 bags at 10 cents?

Mr. PURCELL. No; we would have to charter a vessel, but I do not suppose we could get any vessel to charter for less than 40,000 bags.

Mr. AYRES. Awhile ago you said you had brought in shipments as high as 50,000 bags. Had you used the Lloyd Brasileiro you would have paid 26 cents, and you are paying 50 cents.

Mr. PURCELL. You asked me a question there. That question relates to something that happened at some remote period. Shipments do not amount to that. Our regular shipments amount—sometimes on the steamer we will move 20,000 bags, sometimes on a steamer we will have none, and sometimes we will only have a thousand; but they come and go with very great regularity, and whenever I want a steamer of the conference lines, we have it.

Mr. AYRES. Take one year with another, how many bags would you bring in in one year as related to another—the total importations?

Mr. PURCELL. Well, this year under our own name where we appear as importers?

Mr. AYRES. Yes.

Mr. PURCELL. I think it amounts to New York and New Orleans to something like 340,000 or 350,000 bags; but, then, as shippers from Brazil we may appear as double that quantity, because as shippers they go under the name of the shipper; they never go to people in the general import business here, and it does not appear in the statistics here as from Brazil.

Mr. AYRES. Here are 350,000 bags. Now, the rate you pay is 50 cents a bag. In other words, you paid a gross rate in that year on that amount of \$175,000, during the year.

Mr. PURCELL. On that we get a rebate.

Mr. AYRES. The rebate on your stock from the conference lines would be 10 per cent. In other words, you have a \$17,500 rebate!

Mr. PURCELL. Yes.

Mr. AYRES. Now, on a shipment of 20,000 bags there would be a difference ordinarily to you of 24 cents a bag. The published price of the Lloyd Brasileiro is 26 cents. In other words, the difference on one shipment of 1,000 bags would be \$4,800 in freight. The reason you won't use the Lloyd Brasileiro when you ship is that you would lose their yearly rebate to gain on that one shipment?

Mr. PURCELL. Yes; and they could not give us the service we have to have.

Mr. AYRES. But to bring up 50,000 bags, for instance, as a syndicate shipper, the difference, excluding the rebate on one shipment, the difference between the rate would be almost \$800 over the yearly rebate?

Mr. PURCELL. Sure.

Mr. AYRES. I now say, or, rather, you said, you had brought in as high as 80,000.

Mr. PURCELL. Yes, when chartering a vessel, then full capacity.

Mr. AYRES. On your annual importations of 350,000 bags, the difference in the two prices is something like 24 cents a bag. You have there about \$84,000 more freight to pay over one line than another. Do you not consider that a pretty high price to pay for regularity?

Mr. PURCELL. You must recollect that rate on the two steamers named here recently—I did not say a yearly rate; he can not give us every steamer for 26 cents. But I do say that on the two steamers that was the rate. He gave us two steamers.

Mr. AYRES. May I ask you right here is that the yearly rate?

Mr. SLECHTA. That rate has been published every day in the Journal of Commerce.

Mr. PURCELL. They advance. The rate of freight is higher for 1,000 than for 25,000. It is a schedule rate—1,000, 5,000, 10,000, and 25,000. A man who ships 1,000 bags has to pay a higher rate than a man who ships 25,000, which amounts to exactly the same thing as rate rebates. We get rebates because we ship large quantities of the coffee.

Mr. HARDY. Yes; but you do not get any such rate as 26 cents.

Mr. PURCELL. Yes, we do. We have had rates down to 25 cents a bag.

Mr. HARDY. Over the conference lines?

Mr. PURCELL. No; 25 cents a bag would be the rate——

Mr. HARDY. Over the conference lines?

Mr. PURCELL. We have paid as low as 15 cents over the conference lines.

Mr. HARDY. Was that when they were trying to run a line out of business?

Mr. PURCELL. They were fighting then.

Mr. HARDY. Was that when they wanted to run this New Orleans line out?

Mr. PURCELL. No, that was some time ago, in a big war. The Lamport & Holt Line was doing that.

Mr. HARDY. And when they are doing the fighting, you get a cheap rate?

Mr. PURCELL. We are right on the job then.

Mr. HARDY. Is it not a fact that you do not want to fight? You have your arrangements well settled, and you want them to carry your freight and no other vessel?

Mr. PURCELL. We always want to get a lower rate.

Mr. HARDY. But you would rather there was not any cutting, now that you have gotten the arrangements made for your rate?

Mr. PURCELL. Yes, sir; we would a great deal rather. If you would ask me personally, I would a great deal rather.

Mr. HARDY. Which lines give the best rates?

Mr. PURCELL. Where our freight is assured.

Mr. HARDY. Then the settlement was a proposition to maintain the regular conference rate, to drive out all competitors?

Mr. PURCELL. We had to do it, because the competitors had it and forced us to get as low a rate of freight. You are talking about one single instance. We are assured as long as we do business with them we will have the tonnage, and we do not have to pay more than 10 cents a bag above what we can charter for. So we have protection there. They can not beat us for more than 10 cents a bag.

Mr. HARDY. That is your policy, to protect your interests and prevent anybody else getting 20 cents a bag shipments?

Mr. PURCELL. No.

Mr. HARDY. You do not want competitors to get a rate of 26 cents, and you to pay 50?

Mr. PURCELL. No competitors get it, until you send large quantities.

Mr. HARDY. You feel that it is to your interest for your competitor to ship under a rate 24 cents cheaper than you?

Mr. PURCELL. They are not a regular shipper, like we are, and do not do the same amount of business—the firm he had reference to. We get coffee in bulk and throw it into a hopper and roast it, and then ship it out in 250 and 500 bag lots to 100 or 200 different people. It has got to be shipped that way, and shipped with regularity, just when we contract to ship it, either the first half or the last half of the month, as we contract to ship it; and we are always assured of a steamer there to take it.

Mr. HARDY. And always willing to see your competitors get the better rate?

Mr. PURCELL. They do not do the same amount of business.

Mr. HARDY. If a man is doing this business and getting cheaper rates, what is to prevent him from getting the same amount?

Mr. PURCELL. Don't you suppose we have been in business long enough to know which is the best contract for us to make?

Mr. HARDY. I suppose you know which is the best for you. I am not censuring your action on it.

Mr. PURCELL. I have nothing to conceal, and I will tell you frankly anything you wish to know.

Mr. STEPHENS. Mr. Purcell, if you and your competitors paid the same freight, and you knew it, and the freights per bag were to be 24 cents, would you add any more for the coffee? Who would pay the increased price?

Mr. PURCELL. It depends on competition whether the consumer would pay it or not. Somebody may have had some cheap coffee and would not advance that rate of freight, and so they would not pay that increased rate.

Mr. STEPHENS. But suppose in the same business that a competitor paid 26 or 24 cents a bag more for coffee, would not the consumer—the consumer so far as you are concerned, the retailer—pay the increased price?

Mr. PURCELL. We would try to make him pay it, but we do not always do that.

Mr. STEPHENS. Would you make the competitor pay it?

Mr. PURCELL. No; we could not make him. You know, in our business, sometimes the people bite off more than they can chew. They buy more coffee than they have trade for. Settlement day comes around, and they have to sell that coffee, and they sell it below cost. We do not meet that competition.

Mr. STEPHENS. You have to meet that competition if it is serious enough?

Mr. PURCELL. We do not have it.

The CHAIRMAN. Who are your competitors?

Mr. PURCELL. Well, everybody in the coffee business, in the same line as we are.

The CHAIRMAN. And you say these conference lines give them the same terms they give you?

Mr. PURCELL. Those that signed the agreement, yes. I am not sure just who has signed that agreement.

The CHAIRMAN. I am handing you this blank, entitled "Claim for rebate," that was identified by Mr. Story this morning as the conference agreement. Look at it and see if you identify it as the form of agreement between yourself and the conference lines [handing paper to witness]?

Mr. PURCELL (after examining paper). Well, that looks like it. Of course, I could not swear that that was exact, word for word, but it looks very much like it.

Mr. HARDY. Don't you recognize that?

Mr. PURCELL. I recognize the form, but I would not like to say every word was the same.

Mr. HARDY. As near as you remember, that is the form?

Mr. PURCELL. That looks like it. There is one here for Santos, and this one, I suppose, is Rio de Janeiro.

Mr. HARDY. Who prints those? I do not mean the printer, but who sends them out?

Mr. PURCELL. We get ours from a friend in Brazil. When we signed the agreement, they sent our firm a copy. Our firm in Brazil makes out this claim for rebate.

Mr. HARDY. You do not make the claim out in this country?

Mr. PURCELL. No; it is all made in Brazil.

Mr. HARDY. But you make the claim here sometimes, do you not?

Mr. PURCELL. What is that?

Mr. HARDY. Do you make the claim here?

Mr. PURCELL. No; we do not make the claim at all. It is paid over to the London office, or sometimes paid to us in New York and sent to different steamship companies.

The CHAIRMAN. You have a house in London?

Mr. PURCELL. Yes.

The CHAIRMAN. And you ship coffee from Brazil to London?

Mr. PURCELL. To Europe.

The CHAIRMAN. You have the same form of rebate agreement between Brazil and Europe as you have between Brazil and the United States?

Mr. PURCELL. Exactly.

The CHAIRMAN. On these conference lines?

Mr. PURCELL. I think that is what we call them now. We used to call them syndicate lines, and then the European lines combined with it.

The CHAIRMAN. What lines operate between Brazil and Europe?

Mr. PURCELL. There are so many of them, I am not familiar with them. We do not watch that. Are not they enumerated in that?

The CHAIRMAN. You have it right before you there. Are those the lines enumerated in this blank claim for rebate?

Mr. PURCELL. Yes; it speaks of them here. "Other than those of the Royal Mail Steam Packet Co., the Hamburg Sudamerikanische," and something else, "the Hamburg American Line and the Norddeutscher Lloyd." Those are European ones.

The CHAIRMAN. Then you do not regard the contract steamer as a factor in the matter of rates, between South American ports and the United States.

Mr. PURCELL. How is that?

The CHAIRMAN. I say, you do not regard the contract steamer as of any value.

Mr. PURCELL. I think, according to our agreement in Rio, that the tramp steamer, when we could get a berth at 10 cents a bag less, we could ship in it from Santos. In Santos we do charter, I think. That is my recollection of the clause now. Have you got it?

The CHAIRMAN. You have it right there.

Mr. PURCELL. No; I only have the claim for rebate. I think I saw a copy of the contract you spoke of, signed in 1909.

The CHAIRMAN. Yes.

Mr. PURCELL. I think that is the first conference agreement. Since then it has been modified and re-signed.

Mr. HARDY. When was the last one signed? Was it last year, some time in 1912?

Mr. PURCELL. No; I think 1909. It might have been 1910. I have not those dates fixed in my mind.

Mr. HARDY. Did you have a conference in 1912?

Mr. PURCELL. I do not know anything about a conference, but I know about the agreements we signed. We never had a conference.

Mr. HARDY. That is the agreement you signed?

Mr. PURCELL. That is the agreement we signed.

Mr. HARDY. And you think possibly it was in 1909?

Mr. PURCELL. I think possibly it might have been about that date, but you can get it from that.

Mr. HARDY. At any rate, you are still operating under the last one signed?

Mr. PURCELL. Yes; I think the first one was signed in 1908, and I do not think there was more than one signed since then, with these additions or modifications.

Mr. THAYER. I wish you would explain a little more clearly how this regulation acts in regard to the rate of 10 cents a bag less.

Mr. PURCELL. Well, if the freight rate was 40 cents and we could charter at 30, they would have to make the rate.

Mr. THAYER. How do you know you could charter at 30?

Mr. PURCELL. We follow the freight market like we do the coffee market. We are always in the freight market.

Mr. THAYER. Is there a shipping list showing the rates for chartered boats?

Mr. PURCELL. No.

Mr. THAYER. You have to go out and find it yourself?

Mr. PURCELL. The London firm finds it.

Mr. THAYER. You have to go out and find out what you can charter for?

Mr. PURCELL. Yes; we have an eye on that all the time.

Mr. THAYER. So it is eternal vigilance on your part to find out whether you can get it for 10 cents lower?

Mr. PURCELL. Always; we are always on the watch for it.

Mr. THAYER. I want to ask you this, about your system of rebates and discounts on your shipment of 350,000 bags. If you could ship at the rate of Mr. Slechta's lines you would save \$59,000 a year. Now, would it not pay you to ship in quantities and have the same stored and ready to send out to your customers?

Mr. PURCELL. No. It could not be done that way. If it could be done, we would have done it to save all that money you mention, but we could not do it. Then, besides, you are taking now the rate of 50 cents a bag.

Mr. THAYER. Surely.

Mr. PURCELL. The rate of 40 cents prevails. We only ship from Santos December 1 and from Rio October 1, and we ship the bulk of that coffee at the 40-cent freight rate.

Mr. THAYER. You do not mean to say it would cost anywhere near that amount to store this 350,000 bags?

Mr. PURCELL. We could not meet our contracts with our customers.

Mr. THAYER. If you had that stored in this country?

Mr. PURCELL. No. Our customer wants his coffee coming in at the times he buys it, and if we do not do it our competitors will do it.

Mr. THAYER. What is to prevent you sending it to a storehouse?

Mr. PURCELL. You will have to ask him that.

Mr. THAYER. Yours is the only business in this country of any size where you import in large quantities that you don't keep it in bond in a large warehouse and take it out when you want it.

Mr. PURCELL. Coffee is not kept in bond; there is no duty on coffee. We are in the coffee business and we have to do it exactly as our customer wants it done, and we have got to make arrangements to do it that way.

Mr. THAYER. Do you mean that your customer wants you to send to Brazil for it and does not want the route broken at all? Do you think he would have serious objection if you had the coffee in a warehouse and when he ordered it you sent it out of the warehouse instead of having it sent down from Brazil?

Mr. PURCELL. I could not say that, because I do not understand you at all; I do not get the drift of your question.

Mr. THAYER. Your customer wants the coffee when he orders it, and he wants it on a certain date; would it make any difference where it came from, whether from the North Pole or from Brazil?

Mr. PURCELL. I do not know. He does not ask that question; he simply requires that shipment.

Mr. THAYER. What do you mean by "he simply requires that shipment"; requires that coffee?

Mr. PURCELL. The shipper wants it sent the first half of January, or the second half of January, or the first half of February, or the second half of February, and if we don't do it we will have to make an allowance or have it refused.

Mr. THAYER. Do you mean to come, or to be shipped on a certain date?

Mr. PURCELL. No; to be shipped on a certain date. It comes here when it can.

Mr. THAYER. From where?

Mr. PURCELL. From Brazil.

The CHAIRMAN. Would it matter to your customer if you should make regular shipments of coffee from Brazil to the United States in tramp ships, cargo lots, if you had it in stock to ship him regularly?

Mr. PURCELL. If we could not do as he wanted it, he would do it with our competitor.

The CHAIRMAN. Why would he care if you shipped to him from your warehouse, or immediately forwarded it from the ship when it came in?

Mr. PURCELL. I could not tell you why.

The CHAIRMAN. Does he want it from Brazil, direct?

Mr. PURCELL. I can't tell you why it is done; that is a custom of the trade.

The CHAIRMAN. Is it because you do not want to invest so much money in stock on hand?

Mr. PURCELL. I do not know why the customer——

The CHAIRMAN. I am asking you.

Mr. PURCELL. We can not do anything but just what the customer wants. If we get a customer who buys 200 bags of coffee and he says to ship it the last half of January, we have got to ship it.

The CHAIRMAN. I understand that. That is from New York?

Mr. PURCELL. No; that is from Brazil, not from New York.

Mr. FAISON. Do you sell f. o. b. Brazil?

Mr. PURCELL. No; we sell cost and freight Brazil.

Mr. FAISON. That is the way you sell?

Mr. PURCELL. That is the way we sell.

Mr. FAISON. That is the way you sell, universally, and no other?

Mr. PURCELL. We buy in large quantities and bring it in and send it out in 25-bag lots.

Mr. STEPHENS. What percentage of business is done in that way?

Mr. PURCELL. You mean, cost and freight?

Mr. STEPHENS. Yes.

Mr. PURCELL. Well, it varies sometimes. It might vary from 10 to 40 per cent.

Mr. STEPHENS. It might vary from 10 to 40 per cent?

Mr. PURCELL. Yes, it depends on freight conditions entirely.

Mr. STEPHENS. Then on 60 to 90 per cent of the business it would not make any difference to the consumer how you provided for your coffee, would it?

Mr. PURCELL. No. Then we could bring it and put it in storage, just as we do with ours, and our own coffee stays there until we sell it. It is not always sold when it comes here.

Mr. STEPHENS. Ordinarily, the storage of coffee, properly stored, helps the quality of the coffee, does it not?

Mr. PURCELL. It loses some water that is in it, and perhaps mellows it.

Mr. STEPHENS. Which adds to the quality of the coffee very often?

Mr. PURCELL. Not always.

Mr. STEPHENS. But it does very often?

Mr. PURCELL. Yes.

Mr. STEPHENS. More often than not?

Mr. PURCELL. Yes, I would say that.

Mr. THAYER. If your own coffee is sold cost and freight, you do not care? It does not make any difference to you?

Mr. PURCELL. No; we have to get the cheapest price to get the customer. The cost and freight competitor is trying to buy like we are, and he has to ship as cheap as he can.

Mr. THAYER. Then I think you should be interested in getting lower freights.

Mr. HARDY. If you ship it yourself and put it in your own warehouse, you store that, don't you?

Mr. PURCELL. Yes.

Mr. HARDY. If that is not to be ordered at the time by customers, you have to hold it yourself?

Mr. PURCELL. No. We are buying cost and freight, but there is nothing to prevent their doing it.

Mr. HARDY. I understand that over 60 per cent of your shipments are made to you direct, and not to the customer.

Mr. PURCELL. I think that is possibly it.

Mr. HARDY. What is to prevent your shipping that 60 per cent by the cheapest rate?

Mr. PURCELL. Because we bring it along at different times of the year, just as we need it.

Mr. HARDY. Would it not pay you to have that stored, and let it come when you can get the vessels, and save \$50,000 or \$60,000 a year in freights?

Mr. PURCELL. No, it would not. It is a pretty hard thing to tell a Senator or a Member of Congress how we do our business, and he does not understand it.

Mr. HARDY. Still, that is what I am here trying to understand.

Mr. PURCELL. We have peculiarities in every business that are almost unexplainable to a novice in the business, and we do not bring our coffee in in large chunks, that way, but we bring it along just as our peculiar requirements need it.

Mr. HARDY. Keeping as little as possible on hand or in stock?

Mr. PURCELL. I beg you pardon.

Mr. HARDY. I say, with the intention of keeping as little as possible on hand or in stock.

Mr. PURCELL. When the market is in condition, it is done that way—it is arranged that way. The market has a great deal to do with how much coffee we carry.

The CHAIRMAN. When coffee is low you can overstock?

Mr. PURCELL. If conditions warrant, and it is not going lower.

The CHAIRMAN. When it is down to bedrock.

Mr. PURCELL. Naturally, we carry more coffee then than when we think it is too high.

The CHAIRMAN. For that reason, prudent business principles prevent you, as a rule, from stocking up?

Mr. PURCELL. Yes.

Mr. THAYER. Could you tell how Arbuckle, on the average, beats you on the dock?

Mr. PURCELL. Oh, no; I do not know. They charter a great deal, but they do not do business with the Lloyd Brasileiro.

Mr. THAYER. Don't you think they get coffee a great deal cheaper?

Mr. PURCELL. I do not believe they can charter coffee as low as 20 cents a bag.

Mr. THAYER. Do you know who gets the advantage of that shipment? Does that go in Arbuckle's pocket, or the pocket of the ultimate consumer?

Mr. PURCELL. Arbuckle has to meet competition just the same as we do, whatever the price is.

Mr. THAYER. I think they do business cheaper than you. That money has got to go somewhere, and where does it go?

Mr. PURCELL. Well, if he makes 14 cents a bag, or 20 cents a bag, it goes in his pocket, I suppose, if he makes it; but it does not follow that he always makes it. He may have bought his coffee at the wrong time and the market has gone down, and he has lost his advantage in freight; but his competitor, who pays a higher rate of freight, and also gets a higher price for coffee, will get it cheaper, in fact, than Arbuckle.

The CHAIRMAN. You are entirely satisfied with the freight conditions between Brazil and the United States, are you, as an importer?

Mr. PURCELL. I beg pardon.

The CHAIRMAN. Are you entirely satisfied with the freight conditions between this country and South America?

Mr. PURCELL. Yes. Up to the present time we have had differences with the syndicated lines and they have always righted them for us.

The CHAIRMAN. You have nothing to suggest in the way of improvement?

Mr. PURCELL. Not for us.

The CHAIRMAN. You do not see any need for any legislation?

Mr. PURCELL. No; unless you gentlemen think that rebates are illegal, and that is up to you.

Mr. HARDY. Do you think it is best, Mr. Purcell, that a combination should absolutely dominate this matter?

Mr. PURCELL. No; I am not a believer in monopolies myself; I believe in competition.

The CHAIRMAN. The tendency of this combination is to increase freight rates, is it not?

Mr. PURCELL. No; I think you are wrong there, because we have that clause that prevents them from doing it.

The CHAIRMAN. But you say the conditions do not arise where you can avail yourself of that rate?

Mr. PURCELL. When we can not charter it is because their rate on freight is reasonable; otherwise we could charter.

The CHAIRMAN. Would you to-morrow enter into an agreement with a responsible American ship line to import all your coffee for the next 12 months at 26 cents a bag?

Mr. PURCELL. We would not, unless we had some kind of a bond—

The CHAIRMAN. I say some responsible man, like Bull, of New York?

Mr. PURCELL. We would have to know whether he was responsible. If he could do it cheaper than the syndicated lines, we would try to see if they could give proper security for service. If they could do it at the same rate, we would stick to the syndicated line, because they have served us well.

The CHAIRMAN. That is reasonable.

Mr. HARDY. Having that want of confidence in anybody else being able to do it, don't you feel inclined to prevent anybody else from trying to do it?

Mr. PURCELL. No; we never use one ounce of weight to prevent anybody doing business.

The CHAIRMAN. Has anyone any other questions?

Mr. AYRES. I want to ask one more question. Is not one of the reasons you do not try to give competitive rates to your New York trade the fact that if you should leave your New York line they would cease to do your foreign shipping?

Mr. PURCELL. Naturally, we would not do anything that would make us lose our rebates.

Mr. AYRES. Is your European business as large or larger than your United States business?

Mr. PURCELL. It is as large at least.

Mr. AYRES. So in case you should make shipments except by the carriers which are permitted by the contract, you would be likely to lose your contracts for shipments for both branches of the trade?

Mr. PURCELL. We would. If we violated our New York end we would lose our European end.

Mr. AYRES. So you would be afraid to tackle that proposition?

Mr. PURCELL. No; we are never afraid; that is not the thing at all. We are not afraid.

Mr. HARDY. Just a little, commercially?

Mr. PURCELL. No, we are not, because we have the open market to go into. We have always that 10 cents in front of us. We fought this line before now, and conquered.

Mr. COLLIER. If you made one contract with an independent line, that would invalidate your rebate, would it?

Mr. PURCELL. Yes.

The CHAIRMAN. You figure that as long as you can contract coffee to your customers in the United States for cost and carriage from Brazilian ports and get your 10 per cent rebate you are getting your profit and you are doing a very safe business?

Mr. PURCELL. Well, we give that profit away. As I told you, the net return of trade is figured on the cost to sell. If it is 50 cents gross.

50 cents gross is the freight that is added; if it is 40 cents net, 40 cents net is the freight that is added. We are compelled to add the net freight to meet the competition.

The CHAIRMAN. But you figure that your profit in the business largely consists of the rebates you get?

Mr. PURCELL. Stop and think what the rebates are. It is 5 cents a bag. That is one-quarter of 1 per cent. Is that a large profit. If we did not make any more profit than that we would have been dead long ago. A bag is worth \$20. Five cents a bag is one-quarter of a cent.

Mr. COLLIER. The thing that moves you more in keeping up your trade with this syndicate is not so much the rebate as the fact that they have been able to handle your business?

Mr. PURCELL. Yes; when we wanted it they have given us efficient service.

Mr. COLLIER. You do not want to run the risk of losing your contract with them in order to make occasional shipments on independent lines? Is that your position in this matter?

Mr. PURCELL. That is right, we are dependent on one another. The syndicated lines depend on us because we are one of the largest shippers.

Mr. HARDY. Do you think it would do any harm to pass a law, if it could be done, prohibiting this deferred-rebate practice?

Mr. PURCELL. Do I think it would do any good?

Mr. HARDY. Any harm or any good either?

Mr. PURCELL. I do not think it would do a bit of harm. It would not make any difference to us, because we would go on fighting to get the largest net rate just as we do now. I would rather trade with a net rate of freight than with a rebate.

Mr. HARDY. You would rather such a law were in force?

Mr. PURCELL. Yes; I think I would.

Mr. HARDY. That is all.

The CHAIRMAN. Has anybody else any questions?

Mr. COLLIER. I would like to ask one question along the line of rebates. You collect those rebates, you say, in London and in South America?

Mr. PURCELL. Our firm in Rio and in Santos makes out these rebate slips and presents them to the lines in Brazil, and I suppose they forward them to their different agencies in London, and the agencies in London tell them how they are to pay it. I think most of the lines are paid right into the London office. Our London office gets copies of these things, and they get collection on them, and they remit them at once to New York. Or they may use them there and we debit them.

The CHAIRMAN. Mr. Purcell, how many times during the last year have you had coffee for shipment from Brazil when the Lloyd Brasileiro did not have steamers in Brazilian ports ready to perform the service at the reduced rates?

Mr. PURCELL. To be really candid with you, we have never watched their sailings at all. We have not tried to do anything with them, because we are satisfied with the syndicated lines, and we are not prepared to break away from them.

The CHAIRMAN. Then answer this question. What has been the increase in rates during the past four or five years, and, if you know, what is the reason for the increase.

Mr. PURCELL. I think the rate of freight has been about 40 cents for the last four or five years; but in a period much longer ago than that, as I told you, coffee was carried as low as 10 cents a bag.

The CHAIRMAN. That was only in times of sharp competition and for limited periods?

Mr. PURCELL. When they were fighting; when there was a freight war on.

The CHAIRMAN. You say the average rate for the last four or five years has been 40 cents?

Mr. PURCELL. I think 40 cents longer than any other rate, and not that recently. The 50 cent rate only went into effect on December 1, 1911, in Santos, and October 15 in Rio.

The CHAIRMAN. Do you regard those rates as reasonable?

Mr. PURCELL. Yes; for the service given, especially as we can charter for 10 cents a bag less.

Mr. COLLIER. What is the cause of this increase in rate, as far as you know?

Mr. PURCELL. It is scarcity of tonnage, probably. I think it is a case of supply and demand.

Mr. COLLIER. Has it been 40 cents or under for a considerable time?

Mr. PURCELL. Yes; 40 cents for three or four years.

Mr. COLLIER. And this rate went into effect when?

Mr. PURCELL. October 15 in Rio and December 1 in Santos.

Mr. COLLIER. Of last year?

Mr. PURCELL. Of last year; yes.

Mr. STEPHENS. During the last eight months did you have knowledge of a lower rate being offered by this Brazilian line?

Mr. PURCELL. Yes; it is advertised.

Mr. STEPHENS. Did you make any endeavor, you or your firm, to obtain shipping at that rate?

Mr. PURCELL. Yes; when they put the rates up to 50 cents we asked them for a rate, and they gave us this 26 cents. I think they said one steamer was on the berth, and the sailing of the other was indefinite. We could not use that as a charter for cutting down the rate.

Mr. STEPHENS. Did you know, oftener than those two times you have mentioned, that they would make a lower rate?

Mr. PURCELL. We have known it all the time, ever since the Lloyd Brasileiro has been a line. We are posted on just what they are doing.

Mr. STEPHENS. What was your reason for not accepting?

Mr. PURCELL. They could not give us the same service we got from the syndicated lines.

Mr. STEPHENS. Couldn't they ship a cargo of coffee from a Brazilian port to this port as satisfactorily?

Mr. PURCELL. Not at the times we needed it.

Mr. STEPHENS. Have these other companies specified dates for sailing?

Mr. PURCELL. Not always. They have specified dates for some vessels. Then they have other dates to meet the requirements of the trade.

Mr. STEPHENS. That is, a variable date?

Mr. PURCELL. Yes; we tell them when we want coffee for shipment 40 days off, 30 days off, 15 days off.

Mr. STEPHENS. And such a date as that you could not get from the Brazilian line?

Mr. PURCELL. No; they have not got the fleet to do the business. The syndicated lines have a great number of vessels.

Mr. HARDY. I understand you inquired of them and got that 26-cent rate?

Mr. PURCELL. They had two steamers; that is my understanding of it.

Mr. HARDY. Why did you not take that one?

Mr. PURCELL. Because it did not suit us.

Mr. HARDY. What was the trouble?

Mr. PURCELL. We did not have the goods ready.

Mr. HARDY. You were not ready in one case, and they were not ready in the other case?

Mr. PURCELL. Those are the things that have to dovetail. The other things we do not have to dovetail at all.

Mr. HARDY. You mean you have to have a ship there——

Mr. PURCELL. The first half of the month, or the second half of the month means any time within that period.

Mr. HARDY. What was the purpose of inquiring when you said they answered they had the ship on the berth? Was it your purpose to make an arrangement with them then if you could do so?

Mr. PURCELL. Yes.

Mr. HARDY. What were you going to do about your rebates?

Mr. PURCELL. Then we would have it arbitrated with the syndicated lines if we had done it. If they had said we could not do it, we would have brought the matter up for arbitration, and as the Lloyd-Brazileiro in Brazil was a concern that could do as they liked under contract——

Mr. HARDY. It was a tentative matter, if you could make the arrangements then to take it up with the syndicated line and see whether you could agree on it.

Mr. THAYER. Did you prepare a list of sailings of all of the ships from those different ports of Brazil to America by the different lines and different dates and see what the capability was for shipping?

Mr. PURCELL. You can get that from this circular.

Mr. THAYER. You have that?

Mr. PURCELL. You have that on the coffee circular, which tells you just as they are sailing.

Mr. THAYER. And all the different lines?

Mr. PURCELL. The New York Coffee Exchange with lines to New York—everything that brings coffee to New York—inside, outside, or syndicated.

Mr. THAYER. These are in the evidence?

Mr. PURCELL. I think he (Mr. Slechta) left it here. He read off the different steamers with the quantities aboard, and it gives the sailings from the different ports in that coffee exchange circular.

Mr. THAYER. I inquired in relation to steamers in Brazil that were ready to sail to this country and take a cargo, whether they brought coffee or whether they came away with coffee or without coffee.

Mr. PURCELL. I could not get that.

Mr. THAYER. I wanted to know what the opportunity was to send coffee from Brazil.

Mr. PURCELL. I could not get that for you.

Mr. THAYER. Could Mr. Slechta prepare that?

Mr. SLECHTA. Yes; I will be very glad to do that. I shall have to get the data in New York.

Mr. STEPHENS. At the time you made inquiry for the rate of this Brazilian company and was quoted a 26-cent rate——

Mr. PURCELL. For 25,000 bags.

Mr. STEPHENS (continuing). Did the syndicate or did the conference lines give you any further concession than was embodied in your ordinary agreement?

Mr. PURCELL. No.

Mr. STEPHENS. None whatever in any way?

(No response.)

Mr. HARDY. Just one other question. Do they make you any other rates for any other than 25,000 bags?

Mr. PURCELL. That brings up this matter here.

Mr. HARDY. I want to get exactly what they quoted you.

Mr. PURCELL. Perhaps you would like to read the correspondence [handing a package of correspondence to the chairman]. This is the last correspondence we had with them, and it was all on the line of the Lloyd-Brazileiro rate.

Mr. HARDY. You can tell what the substance of it is, so that the committee can get it.

Mr. PURCELL. One copy that the Government has, appears——

The CHAIRMAN. Mr. Purcell, is your firm agent for the Lamport & Holt Line at Victoria, Brazil?

Mr. PURCELL. Yes.

The CHAIRMAN. Are you their agents at any other port in Brazil?

Mr. PURCELL. No.

The CHAIRMAN. Are you agents of any other steamship lines in this conference or Brazilian pool?

Mr. PURCELL. No; I do not think so.

The CHAIRMAN. Gentlemen, is there anything else? Mr. Purcell, you wanted to go back to New York to-night?

Mr. PURCELL. I would like to very much.

The CHAIRMAN. For that reason I would like these gentlemen to get through.

Mr. PURCELL. I will stay as long as you like this evening if you will let me go home to-night. We might want to ask some questions on that point, that is very recent, you know; that is the last correspondence since I handed over the papers to the Government.

Mr. HARDY. Is there any objection to leaving that correspondence with the committee?

Mr. PURCELL. I brought that here for your use in case you needed it; that is what I brought it for.

Mr. HARDY. I think we might just have that printed—the whole correspondence with relation to that effort you made to get a reduction in rates.

Mr. PURCELL. That is the balance of it from the time you got our paper until now—everything we have done with the conference lines.

Mr. HARDY. I will just add that it may be made a part of your testimony. Is there anything in reference to this correspondence—of course, I have not time to read it over now—that you want to explain?

Mr. PURCELL. That tells about cabling to Mr. Cook that we could charter these vessels of the Lloyd-Brazilero Line, and the rate, and he rather threatened us there, as you will see.

Mr. HARDY. I thought you wanted to make some comment on it.

Mr. PURCELL. It is a matter that is unsettled between the syndicated lines and ourselves. Heretofore they have settled everything.

The CHAIRMAN. You stated that you have turned over to the Department of Justice various correspondence and the agreements that you have with the syndicated lines?

Mr. PURCELL. Yes.

The CHAIRMAN. You have no objection if the Department of Justice shall turn over to us the originals or copies of those?

Mr. PURCELL. You can have whatever they have got. Of course, you will preserve them so we can get them back again.

The CHAIRMAN. I understand. Is there anything else, gentlemen? If not, Mr. Purcell will be excused.

Mr. PURCELL. I can go home to-night?

The CHAIRMAN. Yes, sir.

Thereupon, at 5.02 p. m., the committee stood adjourned until to-morrow, Wednesday, January 8, 1913, at 10 o'clock a. m.

WEDNESDAY, JANUARY 8, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Thayer, Stone, Ayres, Hardy, Faison, and Humphrey of Washington.

The CHAIRMAN. Gentlemen, Mr. Joseph Purcell, of the firm of Hard, Rand & Co., when on the witness stand yesterday, in obedience to a subpoena duces tecum issued by the committee, handed me certain exhibits which I intend now to put in the record. The first one is as follows:

EXHIBIT 9.

SANTOS, September 28, 1912.

Messrs. HARD, RAND & Co., *Present*.

DEAR SIRS: The undersigned agents of the combined lines hereby beg to advise that on and after the 15th of October, 1912, the rate of freight on coffee to the ports of the United States will be 50 cents and 5 per cent primage per bag.

The following steamers will load for the ports indicated at the present rate of freight of 40 cents and 5 per cent:

NEW YORK.

Titian, to sail about October 4; *Eastern Prince*, to sail about October 5; *Byron*, to sail about October 8; *Vasari*, to sail about October 14; *Santa Ursula*, to sail about October 15; *Scottish Prince*, to sail about October 15; *Tintoretto*, to sail about October 15.

NEW ORLEANS.

Euclid, to sail about October 1; *Saxon Prince*, to sail about October 15; *Raphael*, to sail about October 15.

Hamburg Amerika Linie, Sud Amerika Dienst, Hamburg Sudamerikanische Dampfschiffahrts Gesellschaft, (signed) Theodor Wille & Co.; Lamport & Holt Line, (signed) F. S. Hampshire & Co. (Ltd.), agents; The Prince Line (Ltd.), (signed) Zerrenner Bulow & Co.

We will place in the record the following reply from Messrs. Hard, Rand & Co., dated October 30, 1912:

EXHIBIT 10.

OCTOBER 30, 1912.

Messrs. THEO. WILLE & Co.,

*Agents of the Hamburg Amerika Linie and the**Hamburg Sudamerikanische D. Gesellschaft, Present.*

DEAR SIRS: Referring to your notice, dated 28th September, of an advance to 50 cents and 5 per cent in the rate of freight to New York and New Orleans, we beg to protest against the unequal treatment accorded shippers to the United States and those to Europe. Both are parties to the same agreement and with the same lines—

I just want to remark here that these letters and some cablegrams which I shall read later will show that this agreement is in existence now beyond any question, because these letters and cablegrams bring the matter down to late in December [continuing reading]:

But the latter are given until December 1 to fulfill their compromises at previous rates, whereas the increased rate is exacted of the former five weeks earlier, and this at the height of the season, when we, at least—speaking for ourselves—have compromises at the 40-cent rate.

This unequal treatment we consider most unjust, and shall look to you to make good to us any increased cost of freight up to the last-named date.

Similar note has been sent to the other lines interested in the United States service.

Yours, very truly,

P. P. HARD, RAND & Co.

LESLIE C. GREENLAND.

It is not worth while to put the other letters in the record except the addresses.

A letter of the same import (Exhibit 11) was addressed to Messrs. Zerenner Bulow & Co., agents of the Prince Line; also (Exhibit 12) to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line.

On October 31, 1912, Messrs. Hard, Rand & Co. received the following letter from the conference lines:

EXHIBIT 13.

Messrs. HARD, RAND & Co.,

Santos.

DEAR SIRS: We have to acknowledge receipt of your favor of 30th instant, dealing with the advance in the rate of freight to New York and New Orleans to 50 cents and 5 per cent, notice of which advance was given by the agents of the lines to your good selves on 28th September last.

We beg to point out that the advance in the rate to European ports was delayed until the date you mention, say, 1st December, for the reason that several European shippers had represented beforehand that they had large compromises for October and November shipment, this being a common occurrence as regards European business at this time of the crop year.

With respect to the United States ports our notice of an advance in the rate was given on 28th September, to come into force 17 days later, but it was really 27 days later before the last steamer at the 40-cent rate left our port. During that time we received no intimation from any of the shippers here complaining of the shortness of the notice.

Any such intimation should have been made to us immediately our notice was given, not over a month later, when the lines had been engaging coffee for some time at the advanced rate. It is now too late for us to take any steps in the matter of your protest.

We remain, dear sirs, yours, very truly,

Theodor Wille & Co., agents of the Hamburg Amerika Linie and Hamburg Sudamerikanische D. Gesellschaft and Brazil United States Service, (signed) Ernest Boremann; Zerenner Bulow & Co., agents of the Prince Line (Ltd.); F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line, (signed) A. T. Smith.

Then Messrs. Hard, Rand & Co. answered as follows:

EXHIBIT 14.

NOVEMBER 1, 1912.

Messrs. THEO. WILLE & Co.,

*Agents of the Hamburg Amerika Linie
and the Hamburg-Sudamerikanische D. G., Present.*

DEAR SIRS: We are just in receipt of letter dated 31st ultimo and signed by you jointly with the agents of the Lamport & Holt Line and the Prince Line.

It is just as common to have coffees sold for late shipment to the United States as to Europe, although as a rule probably not in such large quantities, and as we already advised you we are compromised at the 40-cent rate for October and November shipments.

We beg to contradict your statement that you had received no intimation from any of the shippers here complaining of the shortness of the notice; although we did not do so in writing, we objected verbally.

While we intend shipping at the advanced rate, we do so under protest, and shall expect your lines to reimburse us on the quantity we may ship by their steamers to New York and New Orleans up to the last of December.

Yours, very truly,

A similar letter (Exhibit 15) we sent to Messrs. Zerrenner, Bulow & Co., agents of the Prince Line, and a similar letter (Exhibit 16) to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line.

In answer to that letter the conference lines addressed the following letter to Messrs. Hard, Rand & Co.:

EXHIBIT 17.

SANTOS, November 5, 1912.

Messrs. HARD, RAND & Co. Present.

DEAR SIRS: We have to acknowledge receipt of your favor of 1st instant, and our object in writing the present is merely to state that we have no recollection of your having made to us, at the time our notice of advance in the rate of freight was given, any remark which we could have understood as being a normal objection or protest against such advance, and further, that any such objection or protest should have been made at the time in writing, as was done by you on the 30th ultimo.

We regret, therefore, that we are unable to take your protest into consideration.

We are, dear sirs, yours, faithfully,

Zerrenner, Bulow & Co., agents of the Prince Line (Ltd.); F. S. Hampshire & Co., agents of the Lamport & Holt Line; Theodor Wille & Co., agents of the Hamburg S. D. Gesellschaft, Hamburg Amerika Linie, and Brazil United States Service.

Again, on November 6, 1912, Messrs. Hard, Rand & Co. addressed the following letter to Messrs. Theo. Wille & Co., agents of the Hamburg Amerika Line and the Hamburg South American Line:

EXHIBIT 18.

NOVEMBER 6, 1912.

Messrs. THEO. WILLE & Co.,

*Agents of the Hamburg Amerika Linie
and the Hamburg-Sudamerikanische D. G., Present.*

DEAR SIRS: Acknowledging receipt of your letter of the 5th instant, we can only confirm the statement in our letter of the 1st instant, as to our verbal protest at the time we received notice of the advance. We did not then, nor do we now, see the necessity of making a formal protest in writing to parties with whom we have had business connections for so many years. You do not give, and we do not see that you can give, any reason in equity why European shippers should be treated with such partiality.

We repeat that, while we intend shipping at the advanced rate, we do so under protest and shall expect your lines to reimburse us on the quantity we may ship by their steamers up to the 1st of December to New York or New Orleans.

Yours, very truly—

A letter of the same import (Exhibit 19) was sent to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line, the same date; also (Exhibit 20) to Messrs. Zerrenner Bulow & Co., agents of the Prince Line.

In answer to that letter the agents of the conference lines addressed the following letter to Messrs. Hard, Rand, & Co.:

EXHIBIT 21.

SANTOS, November 7, 1912.

MESSRS. HARD, RAND & CO., *Present.*

DEAR SIRS: In reply to your letter of the 6th instant we beg to inform you that we regret being unable to accept shipment of your coffees under protest.

We beg to advise you that copies of all correspondence recently exchanged with you are being sent to our principals.

We are, dear sirs, yours, faithfully,

Lamport & Holt Line, p. pro. F. S. Hampshire & Co. (Ltd.), agents, (signed) A. T. Smith; Hamburg Sudamerikanische Dampschiffahrts Gesellschaft and Hamburg Amerika Linie, P. P. Theodor Wille & Co., agents, (signed) Ernest Bormann; The Prince Line (Ltd.), (signed) Zerrenner Bulow & Co., agents.

On November 7, 1912, Messrs. Hard, Rand & Co. addressed the following letter to Messrs. Theo. Wille & Co., agents of the Hamburg Amerika Line and of the Hamburg-South American Line:

EXHIBIT 22.

NOVEMBER 7, 1912.

MESSRS. THEO. WILLE & CO.,

*Agents of the Hamburg-Amerika Linie,
and the Hamburg-Sudamerikanische D. G. Present.*

DEAR SIRS: We have received your letter of even date and are pleased to note that you are sending copies of our recent correspondence to your principals, who we feel satisfied will see the justice of our claim.

Yours, very truly—

On the same date they sent a letter of the same import (Exhibit 23) to Messrs. F. S. Hampshire & Co. (Ltd.); also (Exhibit 24) to Messrs. Zerrenner, Bulow & Co., agents of the Prince Line.

The following cable messages were exchanged between Hard & Rand, of New York, and Lamport & Holt, of Liverpool:

EXHIBIT 25.

To L. & H., December 9, 1912:

Cervantes brings copies letters between Hardrand, Santos, and Conference lines which agents sent you. Rely on your conceding justice their claims. Have firm offer 25,000 Tapajos 28 net three ports.

From L. & H., December 10, 1912:

Sorry but with all due respect consider claims your Santos firm most unreasonable, and that agent's lines acted more than liberally having regard terms agreement. Offer Tapajos does not constitute charter rate according agreement.

I want to call attention to the fact that Mr. Purcell yesterday testified that he had an offer from the Brazilian Line to take cargoes of their coffee, and that that offer was rejected because the offer was not to charter within the terms of their agreement.

Mr. HARDY. He said, if you will allow me, that they did not take them because the offer did not suit them; that they had one vessel ready to go but he did not have his coffee ready to go.

The CHAIRMAN. But this cable explains, from the standpoint of Lamport & Holt, that it was rejected because, as he says, "Offer does not constitute charter rate according to agreement" [reading]:

To L. & H., December 10, 1912:

Are entitled same consideration given European shippers. We secured protection Java all business closed before advance and you granted same autumn, 1905. Tapajos covered clause three and unless accorded justice at once will cable Brazil advising shipments Lloyd.

From L. & H., December 11, 1912:

Sorry disagree but Santos agents all lines with all circumstances before them unanimous rejection claim and with full approval of all principals. You overlook European rate was already higher level to accord more closely market value tonnage strongly recommend you not take hasty action which might cause you grave prejudice.

EXHIBIT 25½.

Memorandum of agreement between Messrs. ——— (hereinafter called the Shippers), and The Royal Mail Steam Packet Co., Hamburg-Suedamerikanische Dampfschiffahrts-Gesellschaft, Hamburg Amerika Linie, Nord-deutscher Lloyd, Lamport & Holt Prince Line (Ltd.) (hereinafter called the Lines), whereby it is agreed as follows:

1. That subject to the conditions hereinafter expressed the Lines will pay a rebate of 10 per cent on the freight of coffee shipped from Santos, Rio de Janeiro, and Victoria by their respective steamers to the ports of Antwerp, Amsterdam, Rotterdam, and the rivers Weser and Elbe, and Copenhagen, and to the ports of the United States of America, during the year beginning September 1, 1909, and ending August 31, 1910, and thereafter year by year until further notice.

The rebate to be paid to the shippers will be computed every 12 months, say, up to August 31 in each year, and be payable three months afterwards, but only if they have confined their shipments to Antwerp, Amsterdam, Rotterdam, and the rivers Weser and Elbe, and Copenhagen, and to ports in the United States to the Lines.

No rebate will be paid on sample lots, nor on additional freight charged for delivery at post-terminal destinations of goods shipped on through or optional bills of lading.

A statement of rebate claim must be made on a form as annexed and presented within three months after August 31 to the agents of the line which has carried the shipments in respect of which the rebate is claimed.

2. That the freight to Europe shall not be more than 5 shillings and 5 per cent prime per ton in excess of that for which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of 20 shillings and 5 per cent prime.

3. That the rate to the United States shall not be more than 10 cents and 5 per cent prime per bag in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of 30 cents and 5 per cent prime.

4. That no exporter shall be allowed more favorable conditions than another.

5. That 14 days' notice will be given of any increase in the rate of freight, and the tonnage required by the shippers will be supplied at the lower rate at the time notice is given to the extent of tonnage available by the ships of the Lines loading within 14 days from the date of notice.

6. In case the Lines fail to supply the available tonnage required at the above rates of freight by their own or chartered steamers within a reasonable time, say, 14 days from the date of request, or if their current rate be not in accordance with what is stipulated in clauses 2 and 3 of this agreement, the Shippers shall be at liberty to charter or ship in an outside vessel or vessels, or a part or parts thereof, without prejudice to their right to rebate under this agreement. In case of the shippers deciding to charter outside tonnage upon the grounds that the rate of freight charged by the Lines be at any

particular time more than 5 shillings and 5 per cent per ton and 10 cents and 5 per cent per bag, respectively, in excess of the rates of freight at which coffee could be shipped in quantity at the time in question by outside steamers, then the shippers shall produce to the agents of the Lines in Brazil, at the time of such outside chartering, evidence as to the latter rate of freight. It is understood and agreed that the shipper will not offer, directly or indirectly, any chartered tonnage of theirs to other shippers at a lower rate of freight than their own charter rate.

7. Until further notice any shipments by steamers of the National Brazilian Line, under the Brazilian flag, to the United States, and of the Koninklyke Hollandsche Lloyd to Amsterdam, at not under the rates of freight and conditions of the Lines, will not prejudice the Shippers' claims to rebate.

8. All disputes arising upon this agreement shall be referred to arbitration in London under the terms of the arbitration act, 1889.

In any such arbitration all protests, certificates of brokers, surveys, and other mercantile documents shall be admitted in evidence for what they are worth.

Dated, ———, 1909.

TESTIMONY OF MR. WILLIAM LOWRY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the stenographer your name and address and your business.

Mr. LOWRY. My name is William Lowry; address, New Orleans, La. Until lately I was the representative of the Pan-American Mail in South America, in Rio and Buenos Aires. I had from them a power of attorney which gave me full legal authority to transact any business for them in the way of contracts for freight, making rates, or any other business of that nature.

The CHAIRMAN. What lines did you say?

Mr. LOWRY. The Pan-American Mail. That is the name by which it is best known. Its real name is the Mississippi Valley, South America & Orient Steamship Co.

Mr. HUMPHREY of Washington. Where does this run from?

Mr. LOWRY. From New Orleans to Brazil, Buenos Aires, and return.

In the interest of this line I was in Rio in the month of September, but this was not my first experience in this business. Perhaps it would be just as well for me to go back a little further and give you an idea of what has happened since 1904. In that year I was a representative at Buenos Aires of rather a large lumber exporting firm from our Gulf.

Due to the very sharp competition with British firms, we found it necessary to try and work out some cheaper freight rates than the one we were getting. So we took up time—chartered vessels, thinking we would probably be able to use them with coffee from Brazil back to the Gulf port. I think it was in the spring of 1905—I am not quite sure about the month—the first of these steamers came down with a full cargo of lumber from the Gulf. I investigated the situation in regard to coffee in Rio, and found it is practically as has been given to you by everyone who has spoken there. The rebate system was in force, and there was no possibility of getting any coffee there from any company except one.

The CHAIRMAN. What lines were operating between this country and Brazil at that time?

Mr. LOWRY. Between this country and Brazil there were the Lamport & Holt and the Prince Line, which were doing the busi-

ness between this country and there. I can not say exactly about the Prince Line, whether they were operating a coffee business at that time or not. However, they were operating between the United States and Brazil at that time.

We finally had to charter this boat—this one outside firm had a very low rate of freight; I think, $22\frac{1}{2}$ cents a bag. That was in 1905, and the conference rate of that year was 35 cents.

The CHAIRMAN. What firm was that?

Mr. LOWRY. Arbuckle, of New York. This $22\frac{1}{2}$ cents a bag does not really represent $22\frac{1}{2}$ cents a bag, because the way the charter is made it includes a $2\frac{1}{2}$ per cent address commission for the charter, so that really amounts to about $2\frac{1}{2}$ mills a bag. They stated yesterday that when coffee is sold the price of freight has nothing to do with the price of the coffee, but when they are making charters, 0.7 of a cent a bag makes a great deal of difference.

My next experience was in 1906. In that year I took a contract to deliver, personally, a large quantity of timber for some port works in the Argentine; if I remember right about 36,000,000 feet. It took about six steamers. The class of this timber was such that we could not use the ordinary form of charter, which is known as the "pix pinus" form of charter. So I had to take time charters in order to handle this timber. I expected to do the same thing that I had done when I was in business with these other people, but I thought it would be well to investigate the conditions of the coffee market in 1906; that is, the tonnage market. I found exactly the same condition existed there. It was impossible to find one outside shipper, with the exception of Arbuckle. I put one of these vessels—the first vessel did not get there in time, and the other we have on charter. I did not get there in time to save the first one. The first vessel took a cargo from Buenos Aires to Santos, and left Santos in ballast to the United States. The balance of them I sent on a triangle, but on a different triangle from the one which was mentioned yesterday. I sent them back to Europe with grain, and re-delivered them there to their owners.

Mr. HARDY. With grain from where?

Mr. LOWRY. From the Argentine. Last year, in May, I was called to New Orleans to go down and represent this new company in Buenos Aires and Rio. I went on the first steamer that arrived in Buenos Aires, on the 2d of August. On that day we cabled, or I cabled, our agent in Rio, asking him what the prospects for coffee were. He said nothing definite, but wanted me to put the steamer on berth in Santos as soon as I could get away from Buenos Aires. I refused to do this unless there could be some contract made for, I think, if I remember right, 1,000 tons of freight or, probably, 2,000 tons of freight, at a rate of 30 cents a bag. If I remember right, the conference rate was then 40 cents.

I got no satisfaction at all, so I did not send the vessel to Santos but went up to Rio on it myself, and I investigated the coffee market thoroughly there. I saw every shipper who shipped any number of bags at all during the year. I could not find one shipper in Rio outside of Arbuckle but what had stated to me personally they had a contract with the conference lines.

The CHAIRMAN. What lines are those?

Mr. LOWRY. I think I left here yesterday a copy of the 1909 agreement, which gave the names of the lines.

The CHAIRMAN. That is, those are the lines which have been mentioned in the testimony?

Mr. LOWRY. Those are the lines which have been mentioned all along, but my copy giving this I left here yesterday.

The CHAIRMAN. It is in the record.

Mr. HUMPHREY. Let me ask you a question so as to get the date clear in my own mind. Was it August of this last year?

Mr. LOWRY. Yes, sir; August of this last year—August 2, 1912—was when we arrived in Buenos Aires. We telegraphed over that day or the following day, or some time within three days of the time I arrived in Buenos Aires, to Rio. I arrived in Rio on the 6th day of September, and during the 22 days that I was there I did nothing but investigate this situation. There was not very much to investigate, because it was exactly the same thing that I had found out in two previous instances.

The CHAIRMAN. Tell the committee just exactly what you found out.

Mr. LOWRY. I found that no shipper would ship on an outside line to the United States for two reasons: If he was a large shipper he already had owing him a sum of money in deferred rebates which would more than balance any saving that he might make on a shipment on our steamer. That was one reason. The smaller shipper was afraid to ship on our vessels, because although he did not have so much money owing him in rebates, he was afraid that the next time he came along and wanted a ship, they would say, "There is no room in this vessel for you," or "We are very sorry that we have not a vessel to meet the engagement that you wish," or find some very polite way of not taking his coffee. Those are the two reasons.

The CHAIRMAN. You obtained those reasons directly from the shippers themselves?

Mr. LOWRY. I got those reasons directly from the shippers. In addition to that there is another reason. Of course it is a rebate reason, but it is the biggest reason of all. It is the big stick that they use. That is, the European rebate. With the exception of Arbuckle & Co., there is no very large shipper in Rio which ships as much, or almost as much, to Europe as they do to the United States. It is absolutely impossible, as has been shown by the experience of the Lloyd-Braziliero, for any independent line that has not a European connection to secure freight from Brazil to the United States, for this reason: That there is as much money being owed for the rebate on European shipments as he is to receive on United States shipments. Therefore if he deviates from one of the conference lines on his United States shipment he loses his rebate on his European shipment.

The CHAIRMAN. As well?

Mr. LOWRY. As well. Now, there is the very important point, that it does not do to lose sight of for one moment, for this reason: While we may legislate in the United States in such a way as to prevent these vessels or these lines carrying on this present rebate agreement, I do not see how we are going to do that in regard to Europe, and if to-morrow they find it impossible to pay rebates on coffee coming to the United States, they are going to say to Mr. Purcell, "Mr. Purcell, we are very sorry we can not pay you any rebates on your 350,000

bags you shipped to the United States this year, but instead of paying you 10 cents a bag on what you shipped to Europe we will be willing to pay you 20 cents just as long as you do not ship outside of the combination."

And that is what we find ourselves up against. Of course, the remedy for that is simultaneous legislation in Brazil and legislation in accord in this country. This matter has already been taken up with Brazil.

Mr. HUMPHREY. Let me ask you this question: Suppose the Attorney General should proceed to get a decree against these vessels to absolutely bar them out of the United States?

Mr. LOWRY. That is absolutely a question of law, not a commercial question, as I know it.

Mr. HUMPHREY. But that would probably be a remedy?

Mr. LOWRY. Yes. I am not qualified to talk on that particular point, though.

The CHAIRMAN. In other words, if the Senate should pass that bill—

Mr. HUMPHREY. If the Senate should pass that bill they would be close to it.

Mr. LOWRY. In regard to this legislation in Brazil, I think some one mentioned yesterday—oh, yes, Mr. Slechta—that some had been initiated. The minister of transportation last June requested a bill to be drawn up, and our agent there talked this matter over with a lawyer there who was nominated by the minister of transportation, and the bill was drawn, and my last understanding when I left there in October was that this bill was to be pushed through with the backing of the Brazilian administration. Whether that has been done, I do not know.

Mr. HUMPHREY. Let me ask you at this point: Have you a copy of those rebate contracts?

Mr. LOWRY. I left them here.

Mr. HUMPHREY. They are in the record?

Mr. LOWRY. They are in the record, and I left a copy of the agreement of 1909 here yesterday.

Mr. HUMPHREY. You found that that was universal, the use of those rebate contracts?

Mr. LOWRY. Oh, yes, universal; and has been ever since 1904. Of course the effect of that is this: We are paying an artificial freight on coffee there. We are paying about \$8 a ton on coffee when we are paying about \$11 a ton on lumber down there. Now, lumber is a commodity which costs very much less to handle than coffee. We heard Mr. Slechta say yesterday in regard to this triangular course. I made a note of it at the time. I think he said that this triangle was from New York to Europe, Europe to South America, and South America to New York; that was about the trend of freight. Well, that may be of high-class freight. I do not know anything about high-class freight, but it looks to me as though the trend was just the opposite to that, from Europe to New York, New York to South America, and South America to Europe. I think his own argument shows that. He had 32 steamers leaving 100 per cent full last year, and he brought very little coffee back in. Also, if I remember right, the Prince Line declared a dividend of 7 per cent in 1911, and they carry our products down and bring coffee back.

In addition to that, as I stated, the freight on coffee up is about \$8 now, when they have raised the rate, while \$11 has been obtaining a ton for lumber going down. So it looks very much as if he was wrong about that particular angle of the triangle, anyway. We will not talk about the other.

The effect of it is this: The merchant of the United States and the manufacturer has to pay 40 or 50 per cent more to send his goods down there than the Englishman does.

The CHAIRMAN. Now, make that clear.

Mr. LOWRY. If an artificial condition is created by which we pay more for our coffee than we could get it for in a competitive market, with freight rates open, no vessel will go in the business of carrying stuff to South America, because they know they can not get any cargo back. So we are at the mercy of the few lines which are in that coffee deal. They are going to charge for the rates what they can get down there. The difference is, as Mr. Slechta said yesterday, that they cut slightly under the rates of the conference lines so that the manufacturer of lumber going south is paying \$22 a thousand feet to take it to Santos, which is about \$11 a ton, on a commodity which costs, I should judge, about 75 cents a ton to handle, against about \$1.60 for coffee. Lumber needs no dunnage. Coffee needs very expensive dunnage wrapped around the iron work, which it is liable to touch in the interior of the ship, and no other kind of material must be carried with it which might impart an odor to it, and yet withal they carry lumber cheaper down there than they do coffee, due to this artificial arrangement.

Mr. HUMPHREY. Do you know whether there is a greater difference in the rates from Europe to South America than from New York to South America?

Mr. LOWRY. I could not say positively. I am quite sure it is a much lower rate, though. I know it is only in the last year that we have been able to sell any bulk commodity against Europe. For instance, on cement, as Mr. Slechta said yesterday, it is only during the last year that we succeeded in making a low enough rate on cement in order to get American cement to Rio. I know that to be a fact. So far that condition has never arisen in Buenos Aires, because up to the present time they have been able to sell no American cement down there at all.

Further than this, the Argentine makes the rate on tramp tonnage west of the Suez Canal every year, and vessels go out there in ballast to take their grain back, which I think would answer your question in a general way, showing that they do not even get going freights to go out there.

Mr. HUMPHREY. I want to ask you this, referring to cement: Do you know about the history of cement freight rates down there after contracts were placed here in the United States for a large amount, that the conference lines notified them that the rates would be raised between this country and there?

Mr. LOWRY. I know that.

Mr. HUMPHREY. In order to throw it to Europe—and did do so?

Mr. LOWRY. Yes, sir; that has been going on ever since I knew anything about it.

Mr. HUMPHREY. And the same thing occurred in regard to flour, did it not?

Mr. LOWRY. Yes, sir.

The CHAIRMAN. Although it seems that we have a preferential duty?

Mr. LOWRY. They absorb the preferential duty in the interest of their freight rate.

The CHAIRMAN. I understand that.

Mr. HUMPHREY. As soon as we got the preferential duty the conference lines immediately absorbed the rate—took the preference and kept the freight where it was.

There is one thing that was brought out yesterday, Mr. Chairman, and I should like to go into it, if it has not been already. I think it may be material. Do you know whether it was stated here yesterday what time the Royal Mail Line took over the Lamport & Holt Line?

Mr. LOWRY. It was not stated the time they did. In fact, it was not stated clearly at all. Mr. Slechtsa said that he understood it, but there was no direct testimony to that effect—that they had taken it over.

Mr. HUMPHREY. Do you know in reference to the taking over of the Lamport & Holt Line by the Royal Mail, whether at that time this last increase in the price of coffee was made?

Mr. LOWRY. I know that when I was there, which was in October, which was previous to the time they raised the price on coffee, the agent of the Royal Mail Line in Rio was the manager of the trust—a Mr. Harrison—so that I should think from that evidence that there was not any doubt but what it had been taken over at that time.

Mr. HUMPHREY. The one reason why I wanted to ask about it was to get it before the committee. Practically the only lines now running from this country to South America are the Royal Mail and the Hamburg-American Lines, are they not?

Mr. LOWRY. From this country? No. They go on the three-corner route. The Lamport & Holt Line runs from this country to Brazil.

Mr. HUMPHREY. But they now control it?

Mr. LOWRY. Oh, yes; I see your idea.

Mr. HUMPHREY. The point I am making is that they are getting the thing nearer together.

Mr. LOWRY. They are getting the thing nearer together.

Mr. HUMPHREY. They are anticipating the opening of the Panama Canal, and I was informed that was the thing that moved them.

Mr. LOWRY. I should imagine that would be what they would do.

Mr. HUMPHREY. They are getting closer together, so that they have practically the two heads to deal with, the Hamburg-American or the Royal Mail.

The CHAIRMAN. Our consul at Rio reports to us that this Lamport & Holt Line, so far as he has been able to ascertain, was taken over within the last year.

Mr. HUMPHREY. I got this information from a gentleman who has talked with the head of the Royal Mail in London. His information was that they proposed to take over the Lamport & Holt Line, and a number of these other lines, and get ready for the opening of the Panama Canal; that they wanted to get the thing as close together as possible. In other words, they wanted to have it as nearly under one head as it could be so they could absolutely control it from one point.

Mr. LOWRY. Just a moment, right here. Our consul also reports that his information is to the same effect with respect to the Prince Line, that it is also being taken over by the Royal Mail.

Mr. HUMPHREY. The Royal Mail proposes to get control of all those lines on the east coast.

Mr. LOWRY. That would be their natural course of operation.

Mr. HARDY. Just one question. I want to find out about this Royal Mail Line. When the Lamport & Holt and the Prince Line were the conference lines, was the Royal Mail an outside line then?

Mr. LOWRY. They were not doing any business for the United States. They were only doing business for Europe. They were one of the conference companies, but they were not doing business to New York.

Mr. HARDY. That company comes in and absorbs two, at least—

Mr. LOWRY. Of the companies that were running between the United States and Brazil?

Mr. HARDY. So it leaves between the United States and Brazil only the Hamburg-American and the Royal Mail, wiping out the other?

Mr. LOWRY. It is practically one.

Mr. HUMPHREY. They got control of all the South American lines, both between Europe and South America and this country.

Mr. HARDY. Do you mean the Hamburg-American is the same as the Royal Mail?

Mr. LOWRY. Not as to management, but identical as to methods.

Mr. HARDY. They belong to the same—

Mr. LOWRY. They belong to the same family; that is the idea.

The CHAIRMAN. They have the same agreement?

Mr. LOWRY. Yes, sir.

The CHAIRMAN. The Royal Mail operates from ports of the United States to the west coast of South America?

Mr. LOWRY. No; it is the Pacific Steam Navigation Co.

The CHAIRMAN. The Royal Mail?

Mr. LOWRY. The Royal Mail—no, sir. They have also absorbed the Pacific Steam Navigation Co., but it is a separate line.

The CHAIRMAN. And our reports show that they are in agreement with the United Fruit people.

Mr. LOWRY. The Pacific Navigation Co. is?

The CHAIRMAN. The Royal Mail. I mean they are in agreement with the United Fruit Co.; they have an understanding.

Mr. LOWRY. A working arrangement.

The CHAIRMAN. A gentleman's agreement.

Mr. HUMPHREY. On that particular point, Mr. Chairman, it might be interesting for me to state further that the information that this gentleman gave me—he has talked with one of the leading officials of the Royal Mail—is that they intended also to get these lines on the Pacific, and that it was their intention, which they made no attempt to conceal, but in fact were rather proud of it, as soon as the Panama Canal was opened to absolutely monopolize the freight which went through there, and they were making their arrangements then to purchase terminals at San Francisco and other Pacific points.

Mr. LOWRY. So far as I can see there is no question but what we have built the Panama Canal for the benefit of the British commerce

unless the United States finds some way of helping its merchant marine.

Mr. HARDY. Mr. Lowry, do you know who owns the stock in the Royal Mail?

Mr. LOWRY. No, sir; that would be pretty hard to say. It is divided.

Mr. HARDY. Are our American capitalists in it?

Mr. LOWRY. I do not think you would find very many American capitalists in the Royal Mail. That is a very British institution. You will find that those in the allied lines do not interfere with the Royal Mail's business. For instance, the Leyland Line there, about August when the cotton season is dull in the States or before it is begun, finds it necessary to send four or five of their steamers to Rio with coal. Those are great, fine steamers, the finest steamers of the Lamport & Holt and Prince Lines. They send them to Rio, and after they unload the coal they do not put them on the market to handle any further freights. They go back to New Orleans and they stay there. They do not do any work for two months. They go back to New Orleans and wait for cotton. There may be some reason for it. I have never been able to find out what it is, though.

Mr. HARDY. What line is that?

Mr. LOWRY. The Leyland Line.

Mr. HARDY. Who owns that?

Mr. LOWRY. The International Merchant Marine.

Mr. HARDY. Who are the stockholders?

Mr. LOWRY. I do not know. It has been rumored that there is a gentleman in New York, by the name of Morgan, who has something to do with it.

The CHAIRMAN. That is a New Jersey corporation, is it not?

Mr. LOWRY. Yes, sir.

Mr. HARDY. Just that little matter, does it not show that the American shipper and the European shippers, the English and the New Yorkers, are all working in perfect harmony?

Mr. LOWRY. It shows that the people who have the biggest amount of money seem to be working in perfect harmony.

Mr. HUMPHREY. As a matter of fact, they not only agree on freight rates and rebates, and all that, but they agree on sailings?

Mr. LOWRY. They agree on sailings, not to interfere in certain trades. There is no question about that.

Mr. HARDY. That is the reason these ships lay down there for two months doing nothing?

Mr. LOWRY. Yes, sir. They could not afford to put those in the Brazilian traffic because that would mean the Royal Mail or the Lamport & Holt Line would be butting into the North Atlantic pool, which they do not want them to do.

The CHAIRMAN. Do you know anything in reference to an agreement between these conference lines and the Booth Line?

Mr. LOWRY. No, sir; I do not.

The CHAIRMAN. Is there anything else you wish to say now?

Mr. LOWRY. No; I have said all that I want to say.

Mr. HARDY. I wish to ask one question. This kind of agreement which you have been speaking of, these ships lying down there idle, does that result in a great deal of shipping remaining idle that might be used for the general good and to the general reduction of freight?

Mr. LOWRY. I should say most decidedly so.

Mr. HARDY. In other words, whenever a ship goes in ballast or lies idly by, by virtue of an agreement, that has a tendency to prevent reduction of freights?

Mr. LOWRY. That has a tendency to make the man in the United States pay more for his cup of coffee.

Now, I am quite satisfied that the coffee rates as they exist on the steamship lines, I think it is worth 40 or 50 cents a bag at least to bring coffee to the United States. But if there was free competition, it would be brought up for 25 cents, because the trend of trade is southerly, and so many more vessels would go in that trade if they were sure of getting something to bring. That would increase our commerce with South America though, and they do not want to increase our commerce with South America.

Mr. HARDY. You think in addition to that we would get cheaper rates on our lumber?

Mr. LOWRY. We certainly would, because we would get the competitive rates south.

The CHAIRMAN. If a vessel can get a full cargo both ways, there is a great difference in the rate which it can afford to charge?

Mr. LOWRY. Absolutely.

The CHAIRMAN. Have you any suggestions to make in reference to the remedy for the existing conditions?

Mr. LOWRY. As I say, simultaneous legislation in both countries, or, what is better than that, the United States governmental support of their merchant marine for lines for this specific trade. We think they will never increase that commerce, and there is never to be an opportunity to consider any such provisions because North and South America hold it.

Mr. HUMPHREY, of Washington. Would not private enterprise be better than governmental enterprise?

Mr. LOWRY. Private enterprise has too much pocket patriotism about it; I do not mean a small edition of patriotism, but I mean patriotism for the benefit of the pocket.

Mr. HARDY. You mean we all are willing to let somebody else "pay the freight."

Mr. LOWRY. What individual is going to put his money out where he can not possibly get more than 4 per cent and where he stands a chance to lose it?

Mr. HUMPHREY, of Washington. Would not one of the main advantages in having the Government assist be the assurance that it would give the shipper in South America that it was going to be permanent?

Mr. LOWRY. That it was going to be permanent?

Mr. HARDY. On the other hand, is it not well known that where somebody has reason to believe that somebody else is going to help him that he will not be inclined to help himself?

Mr. LOWRY. That may be very true in regard to individuals, but I do not think it is true in regard to steamship companies.

Mr. HARDY. Do you think it is possible by subsidy to establish a nonpaying enterprise?

Mr. LOWRY. I did not say "subsidy."

Mr. HARDY. I wanted to be certain whether you were working around the "subsidy."

Mr. LOWRY. I did not say "subsidy." I said "find some method." Although the Brazilian Government thought that if they had to buy goods from the United States at anything like fair prices it is necessary for a line to be put on between the United States and Brazil, and to support that line it is necessary to pay them a subsidy, and they are willing and ready to do that.

Mr. HARDY. You heard Mr. Slechta say they lost several million dollars?

Mr. LOWRY. He meant the Lloyd Brasileiro, in relation to which every man in their service, from the captain to the fireman, has some political affiliations, and everybody is a grafter.

Mr. HARDY. Would it not be the same if we went into the subsidy business in this country?

Mr. LOWRY. I do not think it would unless we run a Government line. I am not proposing that we have government ownership of steamship lines run for the benefit of the constituents of our politicians, not by any manner of means, although it would be a very delightful thing. [Laughter.]

Mr. HARDY. But you have no objection to putting in the "pie" for the benefit of private owners?

Mr. LOWRY. I do not see how it could be done. You evidently—

Mr. HARDY. Give us some idea of how you think it ought to be done.

Mr. LOWRY. You evidently have some particular idea which will be "pie" for the individual. I have not reached that stage yet. I am simply giving you the conditions; it is for you gentlemen to find the remedy.

TESTIMONY OF WILLIAM HARRIS DOUGLAS, OF ARKELL & DOUGLAS (INC.), 317 WEST SEVENTY-SIXTH STREET, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Douglas, you give your name and address and business in which you are engaged to the committee, please.

Mr. DOUGLAS. William Harris Douglas. I am engaged in the export business through South America and other parts of the world.

The CHAIRMAN. A member of what firm?

Mr. DOUGLAS. A member of Arkell & Douglas (Inc.), New York City. I am president of that company.

The CHAIRMAN. You say you are exporters?

Mr. DOUGLAS. Yes, sir; exporters to various parts of the world.

The CHAIRMAN. Are you importers as well?

Mr. DOUGLAS. No; we are not importers, except in a very limited degree.

The CHAIRMAN. Tell the committee to what countries you are exporters.

Mr. DOUGLAS. We export to South America, the West Indies, Australia, New Zealand, South Africa, and all over the East—China, Japan, Bombay, Calcutta, the Philippine Islands—pretty much everywhere.

The CHAIRMAN. What commodities?

Mr. DOUGLAS. All classes of American goods that anybody chooses to buy. We are strictly a commission house. We do not export on the other hand except when we are forced to do so.

The CHAIRMAN. Did I understand you to say your export was to Central America?

Mr. DOUGLAS. No, sir; Central America we do practically no business with; South America, both coasts, and the other parts of the world I mentioned, but the Central American trade we practically do nothing with.

The CHAIRMAN. Tell the committee what, if anything, you know about conditions of the trade—the relations between the ship lines with whom you transact business.

Mr. DOUGLAS. The American carrying trade, as we all know, is monopolized by the foreign steamship owners. It is a combination of the English and German and other nations. They have their established lines from our ports running in all directions, you might say, and they cover the world. These lines are largely in combination between themselves, and their ramifications extend to Hamburg and London, and they exchange their conferences in Europe, because there is the head and front of the combination in America, and the idea that the ocean is free is one of the fallacies of the American Nation. The control of the ocean to-day, of all oceans, is a stronger and more pronounced and determined a monopoly, you might say, than any intercolonial trade in our States; that is, by railroad or water transportations. They absolutely dominate the entire situation.

The CHAIRMAN. You take your trade with South America—

Mr. DOUGLAS. Yes.

The CHAIRMAN. What lines do you use?

Mr. DOUGLAS. We use all the lines that run to the east coast. There are six. They are all in combination, with the exception of Norton & Son, who claim to be an independent concern.

The CHAIRMAN. Who?

Mr. DOUGLAS. Norton & Son. To what extent they are independent I am unable to say.

The CHAIRMAN. What other lines to the east coast of South America?

Mr. DOUGLAS. There is, to give them to you accurately—I think they have all been mentioned here, however, in your hearing—the Houston Line, Barber & Co., American Rio Plata Line, Lamport & Holt Line, and the Prince Line.

There is also the South American Norton Line that runs to the east coast, and they operate in certain other portions of South America in combination practically with other lines—the New York & South American Line to Bahia Blanca, also W. R. Grace & Co.'s Line. To what extent Grace may be working amicably with these lines I do not know. He is supposed to be independent.

The CHAIRMAN. Do all of these lines operate between our ports and the west coast of South America, or some east and some west?

Mr. DOUGLAS. They all operate on the east coast of South America except as specified.

The CHAIRMAN. What do you know with reference to the rates charged by these several lines in their service?

Mr. DOUGLAS. I might say that their method of operation is to make a contract with the different shippers at the different ports—a yearly contract. That is, that has been their method since the combination was more closely formed. Going back two years there was competition among those lines by reason of the fact that the Houston Line were trying to force themselves into the trade, and therefore there was more or less competition for 18 months. They secured a situation, however, or position in the trade, but they then formed these combinations, as I understand it, which are gentlemanly agreements, and we merchants are called upon to make a combination with one of these lines to the extent that they will carry all of our freight. Our own firm have such a contract with the Houston Line. That does not bar us from shipping goods by the other lines, but we are expected to look to the Houston Line as our special sponsor, you might say, to see that we are properly protected and that we receive room in the steamers as we may require it.

The CHAIRMAN. Suppose you were to elect to ship over one of the other lines than the Houston Line, the rate would be the same?

Mr. DOUGLAS. If the conference would be agreeable to that position I presume the rate would be the same, but they do, perhaps, not demand but at least exact that we signify our preference as to which line we will contract with. Then the rates are the same on all the other lines which we may ship by.

The CHAIRMAN. You enter into a contract and bind yourselves to ship via the Houston Line?

Mr. DOUGLAS. Give all of our freight to the Houston Line, practically.

The CHAIRMAN. Suppose you should ship your freight by one of the other conference lines, what would be the penalty?

Mr. DOUGLAS. There is no penalty. If the Houston Line are not able at that time to provide me with the accommodations which I might desire, they go so far as to say that they are willing that I should make my own engagements with these other lines that are in the conference with them, of course. But, at the same time, if I should do that to any very great extent the Houston Line, who are supposed to be my friends, would perhaps lose some interest in my firm and my shipments.

The CHAIRMAN. But although this contract does not bind you to ship by the Houston Line, it binds you in no event to ship by any line outside of the conference?

Mr. DOUGLAS. I am not supposed to ship outside of the conference.

The CHAIRMAN. Well, is that one of the provisions of your contract?

Mr. DOUGLAS. The contract does not say so in specific terms. I presume you have a copy of those contracts filed with the committee?

The CHAIRMAN. We have not yet.

Mr. DOUGLAS. I have the contract here.

The CHAIRMAN. Well, we will ask you to leave us copies. Have you got a copy there?

Mr. DOUGLAS. I have.

The CHAIRMAN. Will you please let us have it to insert in the record?

Mr. DOUGLAS. I will file the last two contracts, which I have signed; that is, for last year, and for the year which runs from May 1, 1912, to May, 1913, yearly contracts.

The CHAIRMAN. We will have them marked Exhibits 26 and 27, but only insert in the record the contract which runs from May 1, 1912, to May 1, 1913, as both are alike in terms.

EXHIBIT 26.

Memorandum of freight contract made this 1st day of May, 1912, between the R. P. Houston & Co., party of the first part, and Messrs. Arkell & Douglas (Inc.), party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahia Blanca from date to April 30, 1913, included.

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (I say 20 days) is given, at the following rates of freight:

Cents.

1. Harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows).....	16
2. Cleaners, hay presses, grain mills, grain planters, land rollers, pulverizers.....	18
3. Wheelbarrows, shovels, spades, hay forks.....	20
Chairs, desks, and common furniture.....	17½
4. Windmill material.....	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons.....	20
Over 3 tons.....	22
6. Binder twine, per bale.....	28
7. Machinery, up to 2 tons.....	20
8. Lubricating oil (till Dec. 31).....	15
9. Automobiles:	
Not exceeding 2 tons (till Dec. 31).....	15
Over 2 tons (till Dec. 31).....	18
10. Sewing machines (till Dec. 31).....	14
11. General cargo not otherwise enumerated, current rates at time of shipment.	

All the above rates are to Montevideo and Buenos Aires and are per cubic foot or 56 pounds at steamer's option unless otherwise specified and on pieces not over 2 tons weight unless otherwise specified, but it is understood and agreed that it is not permissible to separate parts of one machine or more of the same class—in other words, if part of a machine is taken at the measurement rate, the machine entire must be carried on this basis, the same with weight freight.

It is agreed that the rates of freight to Rosario and Bahia Blanca for all shipments irrespective of quantity by any steamer shall be 4 cents per cubic foot, or 56 pounds over the Buenos Aires rates, whether sailing direct or to Buenos Aires first. The rates to La Plata shall be 3 cents per cubic foot, or 56 pounds over the Buenos Aires rates.

The rate on binder twine to Rosario, Bahia Blanca, and La Plata shall be 6 cents per bale over the Buenos Aires rate.

Rates on goods not covered by above agreement weighing over 4,400 pounds are to be mutually agreed to between the parties hereto.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

All freights to be prepaid.

All shipments are subject to the terms and conditions of the Houston Line's River Plate bills of lading.

Kerosene, naphtha, lumber, rosin, and other rough or dangerous cargo to be subject to special arrangement.

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Arkell & Douglas (Inc.), estimated to amount to about

— tons from New York to the River Plate ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. Arkell & Douglas (Inc.) to be accorded the benefit of all such reductions during the period that said rates are reduced.

R. P. HOUSTON & Co.,
Per E. HALM.

The CHAIRMAN. That is in the South American trade?

Mr. DOUGLAS. Yes, sir; that is only for the Buenos Aires-Argentine business; not for the other coast.

The CHAIRMAN. What do you know, if anything, how this conference is conducted—their meetings and where held and when and the modus operandi?

Mr. DOUGLAS. I did not hear your question. [The question was read by the stenographer.] I think the committee probably has that evidence, but these men are mostly simply the representatives of the foreign steamship owners and they hold their meetings in New York at their pleasure; they fix rates, and this contract enumerates rates which are fixed or are left open to be fixed as cases arise, and they take their instructions, where there is any question of the necessity to do so, from the other side by cable.

The CHAIRMAN. Does the conference pass on the contracts?

Mr. DOUGLAS. Yes; of course, not that they will pass on the contracts, that is, each line, but they are all similar.

The CHAIRMAN. Are not they identical in terms?

Mr. DOUGLAS. I understand they are.

The CHAIRMAN. Yes. So that you simply elect which line you will patronize?

Mr. DOUGLAS. Exactly.

The CHAIRMAN. But if you made a contract with another line in the conference it would be the same contract, except between you and a different member of the conference?

Mr. DOUGLAS. Exactly.

The CHAIRMAN. Of course, the rates would be the same?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And the rates between the different members are the same. In other words, you would not have any advantage in electing to have your goods carried by another line than the Houston Line, so far as rates are concerned?

Mr. DOUGLAS. No, sir.

Mr. HARDY. Have they any pooling agreement between these lines?

Mr. DOUGLAS. I think that they have avoided anything of that kind.

Mr. HARDY. What makes you think they have avoided it?

Mr. DOUGLAS. Well, simply because I think it was a part of wisdom on their part to so avoid it; I think that they load their steamers according to a pro rata plan and probably they retain their individual profits.

Mr. HARDY. Would you not call that "pooling"?

Mr. DOUGLAS. I would not call that pooling; no, sir.

Mr. HARDY. But how is it you think they do?

Mr. DOUGLAS. I think they divide the trade. They have the numbers of steamers required between the different lines and divide them

according to some plan of their own, and then I believe that the line itself takes its profit on the steamer they load.

Mr. HARDY. What reason have you for believing that this is their method of operation?

Mr. DOUGLAS. Well, simply from a general knowledge that they do not like pooling any more in New York, and these arrangements—

Mr. HARDY. Avoid the law?

Mr. DOUGLAS. I would not like to say that, sir. I am not a lawyer.

Mr. HARDY. They do not like "pooling," but they like the fruits of pooling, do they not?

Mr. DOUGLAS. You can put it that way, if you choose.

The CHAIRMAN. Pursuing that other inquiry, I believe you say the Norton Line claims to be independent?

Mr. DOUGLAS. I understand they claim so; but their rates are really identical.

The CHAIRMAN. Identical with the others?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. So that there is no combination between them?

Mr. DOUGLAS. There is not, so far as I know.

The CHAIRMAN. Is there any other competitor—the Norton Line is not a competitor?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Under the conditions as they exist—

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Is there any other line which is?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Is there any rebate feature to your contracts with those lines?

Mr. DOUGLAS. No, sir; we received no rebates.

The CHAIRMAN. Is there anything else with reference to the South American trade that you would like to speak of? Have you been testifying with reference to the east coast of South America?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Give the committee briefly the conditions as they exist with reference to the west coast of South America.

Mr. DOUGLAS. Along the west coast the conditions are practically the same, except that there are not so many lines, and the Lloyd Brazilero, which has been mentioned here a number of times, is not supposed to be in the conference on that side. They act, as the gentleman who has just testified stated, in this way: I think they are sympathetic with the rates that are charged, but they invite you to present matters to them from time to time, and may concede a trifle in the rate. I think this is largely done by reason of the fact that their steamers call at more or less of the northern ports, and consequently there is a greater delay in their delivering their goods, say, at Rio, and consequently it is possible—I do not say it is correct, as an assertion—that these other lines wink at their taking freight at a trifle less, because they know that our shippers and the importer prefer to have their goods go in the other vessels that are faster, and they receive their goods more promptly.

The CHAIRMAN. You also send freight to Australia?

Mr. DOUGLAS. Yes, sir; Australia and South America, and pretty much everywhere.

The CHAIRMAN. Going to the west coast of South America there are two lines?

Mr. DOUGLAS. On the west coast of South America we ship mostly by the Prince and the Lamport & Holt and the Hamburg-American. Then there is the Lloyd Brasileiro.

The CHAIRMAN. Is that by the way of Panama?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Do they trade with the west coast of South America?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And they go around—

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Through the Straits of Magellan?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. I believe you say the rates to the west coast are practically the same over all the different lines?

Mr. DOUGLAS. They practically are the same, except by the Lloyd Brasileiro, as I explained—

The CHAIRMAN. Yes; and the conditions under which they carry freight make it more desirable to employ the conference lines?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And as the rates and all the conditions are practically identical with the coast?

Mr. DOUGLAS. Practically; the rates are very much higher on the average.

The CHAIRMAN. Have you anything to say with reference to the reasonableness of the rates, whether or not they operate prejudicially to our commerce?

Mr. DOUGLAS. I consider the rates are extremely high and extremely prejudicial. It is possible that the committee have been able to find out the results of the labors of these gentlemen in our shipping fields in the way of remuneration and compensation they yearly succeed in obtaining, and that would throw some light on that subject. Or course, I am not able to give the committee those facts.

Mr. HARDY. You say you consider the rates high. How do they compare with European rates to the same countries?

Mr. DOUGLAS. That question has been a mooted question for 20 years or more, and it is practically an impossibility to state the status with any accuracy, for this reason: They have both fast freight boats from Europe and they also have tramp boats and the cargo is carried entirely differently from what it is here. The high-class freight goes in the fast boat and the low-class freight and bulky cargo goes in the tramp boat. In most cases all lines from there run both the fast and the tramp boats following. They therefore have a great advantage over this country. My own opinion is that the rates from Europe, while on the surface somewhat on a parity, and the people here claim they try to keep the rates on a parity, are very much less on the average. I should not like to state definitely as to how much they run less. Of course there has been a very heavy advance in the rates in the last two years.

The CHAIRMAN. What is the reason for that advance?

Mr. DOUGLAS. That is due to the difficulty, of course, of securing tonnage at remunerative rates and the increased cost of charters, but most of these lines own their own boats, running from here to there, and there are more or less charters of boats as well.

Mr. HARDY. What do you call a tramp boat in the service of these European transportation companies?

Mr. DOUGLAS. I beg pardon?

Mr. HARDY. You said the European trade was carried by fast boats largely, boats in the regular line, and by tramp boats.

Mr. DOUGLAS. Yes.

Mr. HARDY. But those tramp boats belong to the regular lines also, do they not?

Mr. DOUGLAS. Yes; they do. I call them tramps—that is, steamers of lesser speed and lesser cost of handling.

Mr. HARDY. They are only tramps as to name, then?

Mr. DOUGLAS. Yes.

The CHAIRMAN. Irregular sailings?

Mr. DOUGLAS. The sailings may be regular, but the speed of the boats is very much less. Of course, we suffer as well in our trade in this country by reason of the class of boats that go from here to different parts of the world, as compared with Europe. They go from Europe to Rio in, I should say, 14 to 18 days, as regards a good boat. From here it is very rarely they send a boat out that would be quicker than 24 days; many of them are 28 days. There is quite a difference in time.

The CHAIRMAN. If they would give us the same facilities for our trade with South America that they give to Europe, is it true or not that the trade from this country would justify it?

Mr. DOUGLAS. You mean that if we would allow them—

The CHAIRMAN (interposing). Suppose they would give the same kind of service that they give Europe?

Mr. DOUGLAS. They will never give you the same kind of service; they do not wish to, and it would not suit them. Their effort, of course—while it is not a pronounced and determined effort—is a consistent policy of differentiating against American business. They want to make all the money they can out of American freight, but their inclinations and their feelings are home, not here, and that is perfectly natural.

The CHAIRMAN. In the North Atlantic trade the most remunerative service is that which has its origin in the United States; is that not true?

Mr. DOUGLAS. The North Atlantic trade, of course, is an exceptional trade. That is a trade that we are not able to handle unless we adopt more drastic and pronounced methods, you might say, to accomplish it, or great efforts, I mean. It is a different trade entirely.

Dr. HUEBNER. Mr. Douglas, do you ship any goods by the steamship companies that operate between New York and Panama, and then transship to the west coast of South America via the lines serving the west coast of South America.

Mr. DOUGLAS. I think we do send some small amount of cargo that way. I am not quite conversant, though, with that detail, but I believe we do.

Dr. HUEBNER. What lines operate in that direction?

Mr. DOUGLAS. I would have to look to see; I could not say from memory.

Dr. HUEBNER. The Royal Mail?

Mr. DOUGLAS. The Royal Mail is one.

Dr. HUEBNER. The Panama Railroad Co.?

Mr. DOUGLAS. Yes.

Dr. HUEBNER. The Hamburg-American Line?

Mr. DOUGLAS. I believe so.

Dr. HUEBNER. And the United Fruit Co.?

Mr. DOUGLAS. Yes; I think, very slightly.

Dr. HUEBNER. Are there any other lines which operate in that direction?

Mr. DOUGLAS. I do not know of any; no, sir.

Dr. HUEBNER. Do you know whether there is any arrangement between those lines?

Mr. DOUGLAS. I do not.

Dr. HUEBNER. Their rates are the same, are they not?

Mr. DOUGLAS. I believe they are.

Dr. HUEBNER. Now, do you ever ship any goods to the west coast of South America from New York by way of the Straits of Magellan?

Mr. DOUGLAS. Very seldom.

Dr. HUEBNER. Do you happen to know whether there are any lines in addition to the Merchants Line and the West Coast Line and the New York & South American Line, that operate in that direction?

Mr. DOUGLAS. I do not.

Dr. HUEBNER. You do not know about the rates charged by those lines, do you?

Mr. DOUGLAS. I do not. I might say, as the gentleman who preceded me brought up the question of cement, that that is a good illustration, perhaps, for the committee to consider, because it simply follows along the line of many other illustrations. There are large shipments of cement that could be made from this country. I think it is the Atlas Co. that made contracts out there to carry large quantities of cement, and their agents endeavored to charter boats to accomplish that purpose. There are other cement companies, however, who are also anxious to do that business and if given an opportunity would be able to send large quantities of cement from this country into Rio and other places in Brazil. The rates have been advanced very heavily on that line, however. I think the rate has been advanced from \$5 to \$7 within a very recent period—I think since last July.

As we all know, cement is shipped from England and cement is shipped from Germany, and a very serious thing in our shipping business is that when you are confronted with a position of that kind you have no safeguard, you have got to go to these lines and take the best rate they will give you, and you never know, if you do lose the business, how you lost it; but the men who sit in London can practically throw that freight the same as they can any large contract of freight from any part of the United States to any part of the world, in any direction they please, simply by the operation of lowering the rate here or there, and we are subject to that very serious complication. I understand that to-day there are, well, perhaps, anywhere from 200,000 to 300,000 barrels of cement that might be shipped during the next 6 to 12 months from New York. I can not say to the committee whether it will be shipped or not, but you have no initiative. If I took that contract as a merchant, I would not know how to ship it unless I had the rate already established, which I have got to obtain by consent of London and have the rate cabled to an agent here. I might do as my friends the Pan-American

New Orleans people, did—enter into the vicissitudes of competition without knowing my position.

The CHAIRMAN. That would be disastrous to you?

Mr. DOUGLAS. I am afraid it would be.

Mr. AYRES. I know you have given time and thought to the freight facilities to Argentina and other ports. Have you any ideas in mind in regard to how a fast passenger and freight line could be developed to those ports?

Mr. DOUGLAS. I tried to interest your august body in feasible and desirable improvements when I had the honor of sitting among you; but at that time you were not at all apparently interested in my views, and, while I shall be glad to give them to the committee, I doubt if they would receive any more consideration at this date.

The CHAIRMAN. Let us follow out the first plan if you will pardon me. Name one of the other trades in which you are engaged and the conditions as they exist in regard to it.

Mr. DOUGLAS. These conditions exist in practically all trades.

The CHAIRMAN. In all trades?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. What lines to Australia do you patronize?

Mr. DOUGLAS. I did not bring any data in reference to any other parts of the world by reason of the fact that the paper which was submitted to me only dealt with the situation in South America.

The CHAIRMAN. Then the rates are the same?

Mr. DOUGLAS. They are all in combination to all parts of the world, practically.

The CHAIRMAN. Are we to understand that the American-Australian Steamship Co., the United States and Australian Steamship Co., and the United Tyser Line are all engaged in the trade from our ports to Australian ports?

Mr. DOUGLAS. Exactly.

The CHAIRMAN. And all three lines charge exactly the same rates from New York to Australia, do they?

Mr. DOUGLAS. I understand so, and the same pertains to Africa, also.

The CHAIRMAN. As regards the return voyage, is it true they do not make shipments and do not keep to that business?

Mr. DOUGLAS (interposing). There is practically no return-voyage business from those markets—practically none. Once in a while there is a charter of wool from Australia, but the lines are not interested in it; and once in a while a steamer might come back from Africa, but very rarely, except in ballast.

Mr. HARDY. Where do the steamers go from Australia after you send them out there?

Mr. DOUGLAS. Well, they go seeking; they will take frozen meat and take grain to Europe, or will pick up business in various sections, because all these lines have their ramifications established; they all have trade routes, more or less. The ocean is laid out on a blocked plan, and the English and Germans know just where they are sending their boats; they send them to New York; they then go to South America; they know where they propose to send them afterwards; and they go to any other parts as well. It is an absolutely worked-out plan.

Mr. HARDY. The Germans, the English, and all other nationalities have a sort of supernatural agreement by which they divide up this territory among the capitalists and among the nations?

Mr. DOUGLAS. Personally, I think that largely pertains.

Mr. HARDY. Do you think anything else will ever grow out of the supposedly possible warfare between the German and English shipping interests?

Mr. DOUGLAS. You mean, do you, to give us any better rate here?

Mr. HARDY. Do you think that Germany and England, for instance, will engage in any real struggle that will result in actual competition and cutting of rates?

Mr. DOUGLAS. They have, yes, sir, in certain directions at certain times.

Mr. HARDY. Is it not the tendency for those lines, whether owned by German or English capital, or by American capital, all to get together?

Mr. DOUGLAS. Yes; but every now and then there are ambitious men in this world, and some man who has a large fleet of boats looks with covetous eyes on some other man's trade, and in doing so he has to fight his way in and then, temporarily of course, whether it is from England or whether it is from this country, there is a sharp fight; but then the conference comes together.

Mr. HARDY. It is only a bubble, and it subsides?

Mr. DOUGLAS. Exactly.

Mr. HARDY. Is not the tendency to do away with the trouble and simply go along harmoniously?

Mr. DOUGLAS. Of course it is always better to do that; but now and then men will get irritated and upset.

Mr. HARDY. And they generally repent of it, do they not?

Mr. DOUGLAS. They usually do in their pocket, or in some other way.

Mr. HUMPHREY. What is the policy of the conference in regard to these bubbles that occur once in a while when some one makes a fight?

Mr. DOUGLAS. Well, they do a good deal like the European conference is doing now in London; they try to bring the combatants together and establish a ratio of good fellowship, according to the percentages of profits and percentages of vessels loading to different places. Of course they do that as fast as they can, naturally, because they are all losing money while the fight is going on.

Mr. HUMPHREY. The policy of the conference, in short, in those cases is to brush the individual off if they are strong enough; if not, to admit him and get him to agree to the same old terms.

Mr. DOUGLAS. Exactly; they always try to crush him for a reasonable period, and if they find him too strong, they do like everybody else, they take him in.

Mr. HUMPHREY. It does not, however, result in any reduction of freights, does it?

Mr. DOUGLAS. Only temporarily; and then it generally goes to the other extreme, and means a much higher rate, so they can get back the losses they have made.

Mr. HARDY. It is a repetition of the Standard Oil processes and the railroad processes of monopoly all through the country, is it not?

Mr. DOUGLAS. Exactly; yes, sir.

The CHAIRMAN. Getting back to the Australian trade. What do you know, if anything, about an Australian shipping ring?

Mr. DOUGLAS. As I have stated, the paper I had did not say anything about other markets besides South America, so I did not especially go into that, but I can simply say that Africa and Australia, to my knowledge, are exactly on the same parity as South America.

The CHAIRMAN. Are you interested financially in any steamship companies?

Mr. DOUGLAS. I am not interested in any steamship company except one, and that is what they call the United States & Australasia Steamship Co.

The CHAIRMAN. You are an officer in that company?

Mr. DOUGLAS. I am not; no, sir.

The CHAIRMAN. Are you a director?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Between what ports does that company operate steamers?

Mr. DOUGLAS. They operate between the port of New York and the various Australian ports.

The CHAIRMAN. And do you ship all your goods by that company?

Mr. DOUGLAS. No, sir. I ship them by either that company or any other line that may be running at the time. That is, there is no restriction in the Australian trade; there are no contracts or restrictions of any kind as to how freight may be shipped.

The CHAIRMAN. But the rates are the same, are they not?

Mr. DOUGLAS. They are.

The CHAIRMAN. Between your own line and the other lines?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. That, I suppose, is not a mere coincidence; I suppose it is like in all the other trades, there is a gentleman's agreement?

Mr. DOUGLAS. Exactly, as I understand it.

The CHAIRMAN. Are they written agreements?

Mr. DOUGLAS. I understand there are no written agreements in that trade. I do not think there are in any of the trades, although I may be wrong in that statement, but so far as my knowledge goes there is no written agreement in any trade; there are no contracts; they simply handle the business in this way—a sort of gentleman's basis.

The CHAIRMAN. They have their conferences, I suppose?

Mr. DOUGLAS. I understand they do.

The CHAIRMAN. And where are those conferences held?

Mr. DOUGLAS. I imagine they are held anywhere, on the street corner or anywhere. I do not know where they are held. I do not think they have any special place where they hold these conferences. They are all members of different exchanges and they meet on these exchanges or they use the telephone, I presume.

The CHAIRMAN. I suppose that you became interested in the business in order to get better returns and conditions for your firm?

Mr. DOUGLAS. I did not; no. The way I became interested in the business was this: I had loaded for those markets—Africa and Australia—ever since I was a boy, sailing vessels and steamers, but some 15 years ago or more we found that it was impossible to compete with

the flowing tide of—you might say—foreign steamers coming here. And so a number of us Australian merchants simply decided that we could not load steamers or sailers any more, and we formed a company and decided to load that way instead of trying to load individually. We used to load individually before that time.

The CHAIRMAN. Yourself and other merchants engaged in that trade?

Mr. DOUGLAS. Yes.

The CHAIRMAN. That is, American merchants?

Mr. DOUGLAS. American merchants; yes, sir. There was no foreign capital in the business at all.

The CHAIRMAN. And that is an American firm?

Mr. DOUGLAS. It is a New Jersey corporation, I think.

The CHAIRMAN. Of course, operating under a foreign flag?

Mr. DOUGLAS. The vessels are simply chartered for the voyage.

The CHAIRMAN. You have no vessels?

Mr. DOUGLAS. We own no vessels; no.

The CHAIRMAN. Is there any difference in rates between shippers?

Mr. DOUGLAS. There is not. Everybody is on the same basis in all these trades, so far as I know.

The CHAIRMAN. These chartered vessels are foreign vessels?

Mr. DOUGLAS. Always; yes, sir.

The CHAIRMAN. State whether or not there are any rebates in that trade.

Mr. DOUGLAS. There are no rebates in the trade.

The CHAIRMAN. You also, I believe, export to India?

Mr. DOUGLAS. Yes; we export to India.

The CHAIRMAN. Tell the committee what the conditions are in reference to that trade.

Mr. DOUGLAS. I am not quite so familiar with the conditions there, as we only embarked in that trade about 18 months ago, and I have really given it very little attention, but I understand it is practically similar to the other countries that we have discussed, that we all ship by the foreign steamship lines and we all have practically the same rates. There is, however, a considerable amount of cargo which goes to the eastern markets—what I call the Asiatic markets—via London and Liverpool on bills of lading via the Cunard Line and other lines. And that goes on a through bill of lading and they transship the goods on the other side. But I think the rates are about the same. We are all on about the same basis.

The CHAIRMAN. Shipped direct or by way of London?

Mr. DOUGLAS. Or by way of London or Liverpool; yes.

The CHAIRMAN. You also have a trade with China and Japan and the Philippine Islands?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Are the conditions any different in that trade—

Mr. DOUGLAS. No, sir.

The CHAIRMAN (continuing). Than the conditions in the Australian or Indian trade?

Mr. DOUGLAS. They are practically the same there. We all ship and pay the same freight rates, so far as I know.

The CHAIRMAN. You also trade with South Africa?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And East Africa?

Mr. DOUGLAS. Not to any extent with East Africa, but South Africa from Cape Town to Delagoa Bay. We are very large shippers in that direction.

The CHAIRMAN. There is a uniformity of rates between the lines?

Mr. DOUGLAS. There is an agreement between all the lines there just the same as there is in the other places.

The CHAIRMAN. What is the nature of the agreement between the lines in that trade, if you know?

Mr. DOUGLAS. I could not say from knowledge, except this, that we are not required to sign any contracts, and we ship by the different lines by simply making our engagements according to our requirements and in accordance with the date on which the steamers are put on the various lines under the arrangements made by themselves.

The CHAIRMAN. In what trades are you required to sign a contract?

Mr. DOUGLAS. The only contract which we sign is in the South American—the Argentine business.

The CHAIRMAN. Are there any competitors in the South African trades?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Or in India?

Mr. DOUGLAS. Not to my knowledge.

The CHAIRMAN. Japan or China or the Philippine Islands?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Do you make any shipments to the Mediterranean?

Mr. DOUGLAS. No, sir; we do not do any European trade.

The CHAIRMAN. I understand from you that in all these trades in which you are engaged the rates are the same, and where there is ostensible competition, as the instance made of the Norton Line, there the rates are identical with the rates made by the conference line?

Mr. DOUGLAS. I might state in order to make that clear that I do not want you to infer when I say the rates are always the same that these lines do not reserve for themselves the right and privilege perhaps of making large contracts at times with heavy shippers of, you might say, agricultural tools or steel products, or any heavy contracts like a number of locomotives or anything of that kind. They may then treat direct with the manufacturer or the commission house, and perhaps will differentiate on the rate, or will make a special rate which can be covered by their schedules. But with that exception I think the rates are quite uniform.

Mr. HUMPHREY. Is it not true that they make special rates with what is known as the Harvester Combine and the Steel Trust?

Mr. DOUGLAS. And the Oil Trust.

Mr. HUMPHREY. Those two particularly—I do not know whether it goes further. But is it not a fact that those steamship people, practically all of them, do make special rates to those two particular combines anyway?

Mr. DOUGLAS. I think they do to those three combines. I should like to include the oil, if you have no objection.

Mr. HUMPHREY. I have no objection. I just happen to have information which makes me think there is no question about the other two, and I presume—

Mr. DOUGLAS. The reason why I want to put the oil combine in is because it is generally current in New York that they do have con-

tracts with the oil people at a preferential rate, and if other people wish to ship oil they have to pay more money.

Mr. HUMPHREY. I have seen testimony given by the representatives of the steamship lines that they give special rates to all three of those you have mentioned.

Mr. DOUGLAS. I think that is right.

Mr. HUMPHREY. The Steel Trust, the Harvester Combine, and the oil people. The reason they give for it is that they say those interests are so powerful that if they do not do it they will put on their own vessels.

Mr. DOUGLAS. That is the selfish reason that should not obtain here, because that is what you gentlemen are here to protect us from, I hope.

The CHAIRMAN. Yes; there is no reason why they should receive that.

Mr. DOUGLAS. No; I have always claimed that a contract for freight was not taken with a view of taking it at a lower rate particularly. It is taken by the different lines that run vessels for the purpose of holding that themselves rather than having an independent shipment that would come along month to month on the market that would tend to disorganize affairs. That is, it was a strength and an advantage to the line to hold that freight, and if it made some slight concessions in taking it, covering, say, 12 months, they did it for that purpose. And under those circumstances every line that runs to a foreign country should be compelled, if it chooses to protect itself in that way, to give to every other shipper of a similar class of goods the same contract rate which it makes with that party for that purpose at the time, say, year by year.

Mr. HARDY. You think the purpose of giving special rates to these three combines was to prevent the three combines from going into the shipping business themselves?

Mr. DOUGLAS. I think in one case or two; yes. I think perhaps it is so. I think that those people, perhaps very justifiably, knowing their power and their wealth, took these men by the throat and said, "If you do not do this, we will put on our own service, even if it costs us more money than it does for the service that you give us."

Mr. HARDY. Then you think they ought to be required to give the other people the benefit of the same rate?

Mr. DOUGLAS. I think so, undoubtedly; the same as you demand that the railroads do in this country.

The CHAIRMAN. You are a large exporter. Do they give you any special rates or concessions, in view of that fact, on any of these trades to which I have called attention?

Mr. DOUGLAS. I am sorry to say that they do not. They look upon the poor export merchant as a man whom they do not desire to become too powerful. They know that if we had the power to-day we would rip up every combination that they have; and they, by reason of that fact, are not at all anxious to give us any concession. And I have not, although I have tried, been able to secure any for many years. They want to diversify and break us up. They do not want us to become an oil trust or a steel trust or a harvester trust.

The CHAIRMAN. No; because, so far as the trust is concerned, they feel like they are dealing on more equal terms, and they are compelled to make concessions there that they are not compelled to make to the little fellows?

Mr. DOUGLAS. Exactly, for this reason: Not so much that you may be a little fellow in the freight you control, but by reason of the fact that your freight must flow continuously and regularly. A man who sends you orders every month or every week desires those orders shipped promptly, and therefore the large commission house is not able to corral and bring together its freight to the end that it could protect itself by taking a steamer, say, once in 60 or 90 days, and putting its freight in and shipping it abroad. And, naturally, if it did that as well it would have the hand against it of every combine in New York, as well as the hand of that one combination which it happened to take advantage of just temporarily in that way.

The CHAIRMAN. Do you export to Cuba and Porto Rico?

Mr. DOUGLAS. We do a West Indian business, but no Cuban or Porto Rican business.

The CHAIRMAN. The same conditions prevail?

Mr. DOUGLAS. The same conditions prevail there; yes, sir.

The CHAIRMAN. You are quite familiar with the conditions as they exist and have no doubt given much thought to the remedy. You do not consider the conditions as ideal? They ought to be remedied, should they not?

Mr. DOUGLAS. The conditions for this country, gentlemen, are so bad that, in my judgment, you lose 25 to 30 per cent of the export trade of the world to-day which you would have as easy as rolling off a log if Congress had the—you might say, desire, to use a very mild term, to place the American commerce where they should have placed it 30 years ago. I want to make that statement emphatically, because the initiative of the merchant is absolutely killed. We sit down in our houses in New York, our business places, and trades come up daily or weekly, and we are absolutely helpless. We can not get the steamers or the sail vessels if we wish them, because sailing vessels always go to the home port, just the same as a man goes home at night when he can, and they are not available. The merchant of New York to-day could load half a dozen boats on the west coast with grain or lumber to the various parts of the world, and you can not get a steamer there inside of three months or four months, to save your life, no matter what rate you pay. And that condition will prevail as long as we have no American ships and no American vessels of our own. And you are simply paying tribute to Europe, not alone in the profit you might have to put into our own pockets in the way of freight, but we are losing heavily every year by the false condition, which no other nation than the American Nation would tolerate for a moment.

The CHAIRMAN. What do you suggest as a remedy?

Mr. DOUGLAS. That is a very difficult question, because I am a radical on those questions. I have felt for many years that Congress was all wrong on that subject, and I am sorry to say that the lower House has been the offender. The upper House in several instances has been right. The statement that has been made that you could not pass a bill through Congress to meet the Senate's desires I do not think correct. I have always felt that there would have been two ways. You take, for instance, South America. You go back 10 or 12 years ago and it would have been perfectly easy to have arranged mail-carrying contracts with South America by combina-

tion and agreement between the South Americans and this country, they paying a portion of the bill and we paying a portion of the bill, the same arrangement as, with their enlightenment and knowledge of marine affairs, the English nation makes with its own colonies. But we have lost that opportunity in all probability.

The CHAIRMAN. I have understood that they are willing to do that now.

Mr. DOUGLAS. I heard that statement, and I hope it is true. It was true years ago, but whether it is true to-day I do not know. We have got to take the initiative as a governmental measure. The idea of trying to throw the onus of responsibility upon the merchants or capitalists of this country is a fallacy. It is a beautiful theory, but it will never be carried out until some sudden thing occurs, if it ever does, which would then create a situation which would bring it about. It is not a question that you have not American capital, but it is a question that you can not utilize American capital to advantage in the shipping trade to-day by reason of existing conditions—our own obligation, you might say, as a Nation, in the way we have handled the ships, and the increased cost, of course, as we all know, of the building of those ships, although to-day we have a law enabling us to buy ships anywhere we choose.

Now, the Government is the only power in this country that can bring about a changed condition. They have got to create the entering wedge, and it is their duty, and they should do it without a moment's hesitation, contributing enough money to have us make contracts with those people who would be willing to make them with the Government to load steamers for the outports of the world; that is, the chief countries. And there should be a combination of fast steamers with other steamers to follow that might be of a lesser, you might say, speed. And unless you do that I think you will stew in the mud for many years more, the same as we have for the past 30 years. It is no new problem. I am not afraid of the word "subsidy," as my friend facing me seems to be.

Mr. HARDY. I am not afraid of the word.

Mr. DOUGLAS. I am a believer in the word "subsidy." I think that is what we want to do. You talk about subsidizing. You subsidize pretty much everything else in the country, and yet you always get, you might say, the cold shivers down the back when you talk about protecting American shipping, which is the most universal thing in the country you can subsidize to benefit this country, because it benefits every man and child and every woman that has a husband or son that is laboring.

The CHAIRMAN. Right there. Under section 5 of the Panama Canal act enterprising American citizens can, individually or in a corporate capacity, overcome that difference in the cost of building the ship at home and abroad by buying their ships abroad and putting them under the American flag and operating them in the foreign trade. They can go to the Postmaster General and get a contract under the ocean-mail act of March 13, 1901, for mail pay for those ships in the South American trade. Why do they not do that?

Mr. DOUGLAS. That is the question which has been asked many times, and it does not require much answer. It is because the pay is not sufficient. You must remember the German Government and the English Government have laid out a plan of subsidizing their

ships by which those ships are to be used by the Government in case of necessity, and in very many ways encouraging the building and putting on of those vessels on those trade routes which specially pertain to their commerce. If you will give a sufficient revenue per annum to put on American ships you will get them, but until you do give enough money you will not get them.

The CHAIRMAN. The North German Lloyd and the Hamburg-American do not receive any subsidies in the North Atlantic trade at all.

Mr. DOUGLAS. That is true.

The CHAIRMAN. They get the same mail pay that we pay foreign ships for carrying our mail, which is less than 50 per cent of the amount that we pay our subsidized lines, and yet they are most prosperous in the North Atlantic trade.

Mr. DOUGLAS. It is true that they do not pay any subsidy on that trade, but you must remember that they control the immigration traffic. These ships are indirectly, in my opinion, subsidized, although you make the statement that they do not receive a subsidy. I believe they do. If you think that the British Government and if you think that the German Government are going to tell you everything they do, I do not. I believe there is not one of these big lines—you might as well tell me that the Cunard Line is not subsidized on the Atlantic Ocean. I say there was never a greater subsidy paid by any other nation in the world than the Cunard Line has to-day. That is, they do not have to raise the money to build their own steamers. The British Government handles that for them.

The CHAIRMAN. There were two steamers built under the Government. There seems to be a lack of enterprise on our part—or I would not say that; but there seems to be a somewhat more inviting field to make investments and pay dividends elsewhere, and they have not come to that. In other words, they prefer to allow the foreigner to build the ships and to carry the commerce rather than to do so themselves.

Mr. DOUGLAS. That is a fallacy that has been played on so many years that many people believe it. I do not.

The CHAIRMAN. I would like to see them try it once and see whether they will fail or not.

Mr. DOUGLAS. They have tried it different times, and they will fail every time.

The CHAIRMAN. I would like to see some American corporation organized and buy some foreign-built ships and bring them under the ocean mail-carrying act of 1891.

Mr. DOUGLAS. If you have the courage to try it, I do not want to be interested to the same extent that you are, because you are going to make a failure. It is all well enough to throw at us the statement that we have not the courage to do it and the money to do it. We have the courage and we have the money, but we have not the facilities to do it, by reason of the conditions which obtain to-day. Nothing is going to give it to us but the Government initiative.

Mr. HARDY. Do you call your line a foreign line?

Mr. DOUGLAS. I call it a moribund line—

Mr. HARDY. You say it is a New Jersey corporation?

Mr. DOUGLAS. It is a New Jersey corporation.

Mr. HARDY. How do you get the foreign flag on it?

Mr. DOUGLAS. We simply charter any vessel that comes along; that is all.

Mr. HARDY. Your company, then, does not have any charter or corporation in foreign lands?

Mr. DOUGLAS. We have not any charters or any ships. We have not anything but a piece of paper.

Mr. HARDY. You charter a vessel and operate it under whatever flag it is under?

Mr. DOUGLAS. Yes, sir.

Mr. HARDY. These ships are under your control, are they not?

Mr. DOUGLAS. No, sir; they are not. They are chartered simply for the voyage out.

Mr. HARDY. They are while you have your charter?

Mr. DOUGLAS. They are while we have our charter—for the voyage.

Mr. HARDY. And you never charter them except for one voyage?

Mr. DOUGLAS. That is all.

Mr. HARDY. Now, your company controls a great deal of shipping. Why is it that those ships of yours do not find New York their home port—do not roost there?

Mr. DOUGLAS. Why don't they?

Mr. HARDY. You took the position that New York was wanting in shipping because these vessels of the foreign lines have their home elsewhere and naturally roost elsewhere. Now, I want to know, if American capital owns foreign ships, sailing under foreign flags, is not their headquarters in New York?

Mr. DOUGLAS. It would be if there was any such thing.

Mr. HARDY. What is to prevent your capitalists there from engaging foreign ships under foreign flags and owning and dominating and controlling them?

Mr. DOUGLAS. Because we can not meet the competition that we have to face with the foreign elements.

Mr. HARDY. You mean, then, that if you had these ships there in New York, subject to the control of local companies, you could not meet the competition?

Mr. DOUGLAS. No; and it is very plain why.

Mr. HARDY. That is the proposition; that you can not. Your idea is that this Government is in shape so it can not meet the competition of the rest of the world?

Mr. DOUGLAS. Exactly, and I tell you why. You must remember that all business has to grow, and the European business in shipping has not been a sudden growth; it has been the growth of years. Now, for instance, presuming we had the temerity to do what our friends did in New Orleans, to endeavor to load a line on that basis—if I charter a ship to go to Australasia or South Africa, that ship knows why she is going there.

Mr. HARDY. Just a minute, Mr. Douglas. Aren't you mixing this up with that question of natural advantage?

Mr. DOUGLAS. What I am trying to make plain is this: The ships which we take, for instance, are to be loaded for Australasia, and they go there for some reason which enters into some other combination. They are desirous of going there for some purposes of their own. For instance, at certain times of the year from Australasia there are certain lines of shipping taken up by frozen meats, and so on. These ships all have their ramifications, and they go to

these places because they desire to do so; if we should never send them there we would have no such ramifications. It is the same story there again as in the coffee business in Rio and Santos. You go there and discharge your cargo and have nothing to take away.

Mr. HARDY. Do you think any subsidy could enable you to live?

Mr. DOUGLAS. Yes.

Mr. HARDY. How much of a subsidy?

Mr. DOUGLAS. I will figure it out for you if you will give me the subsidy. I have figured it out before.

Mr. HARDY. Did you say just now there was the illustration of the coffee proposition? That as soon as a lower rate of duty was given to the United States the ship combine absorbed that?

Mr. DOUGLAS. I did not say that.

Mr. HARDY. Isn't it true?

Mr. DOUGLAS. It is to a certain extent; yes, sir.

Mr. HARDY. Now, if we could give you all sorts of bounties——

Mr. DOUGLAS. You do not need to give all sorts of bounty.

Mr. HARDY. Wouldn't this combination absorb that subsidy just the same?

Mr. DOUGLAS. I do not think they would. What you ought to do is this: It is simply a question of arithmetic and calculation. If you will establish a mail carrying contract line, say from New York to certain points in South America, the capitalists and men that are interested in that business will be able to figure out what they can do in the way of running that line and the amount of money that is necessary for them to run it. You may say that if they undertake that they might meet with disaster, and so they might, you can not always foretell; but I think you can foretell to a certain degree things of that character. I believe that those lines could be established and operated, but they can not be operated under the act of 1891.

Mr. HARDY. What help would that be to ships that do not carry the mail?

Mr. DOUGLAS. To the merchant it would do this: Those would be American lines, under the control of Congress. I claim that there is not a steamship line that comes into the port of New York that should not be, you might say, either under charter or at least licensed by the United States Government. That is what you have to come to, and for this reason: If you own a ship and send her into the port of New York as a tramp boat, you are entitled to the hospitality of the United States port of entry, and you can come and you can go and receive this hospitality. But just as soon as foreign corporations come here and open their offices here and engage our facilities, receive docking facilities from us and become permanent, then they are in exactly the same position as a trust company or bank in New York. You could regulate them.

Mr. HARDY. I am disposed to agree with you on that, but I would like to stick to this question of subsidy. What help would it be to the rest of the shipping of the United States for a few ships to be subsidized by a mail contract? How would that help the others?

Mr. DOUGLAS. The rest of the ships? Why, you have no ships except coastwise ships.

Mr. HARDY. Would we have them?

Mr. DOUGLAS. Of course you would.

Mr. HARDY. What help would the subsidy to the mail-carrying ships give these other ships?

Mr. DOUGLAS. Simply this, you have to start a thing. You go back 30 or 40 years ago. I remember hearing every man in Congress talk about the tinplate industry, that it was impossible to establish it; but just as soon as you gave us a chance we did establish it.

Mr. HARDY. Your idea is that by subsidizing a few ships the others would be able to carry themselves on?

Mr. DOUGLAS. No; not quickly. You have to subsidize and then to get the lines growing, and those things will gradually grow. You have to protect those lines—protect them against foreign domination.

Mr. HARDY. Don't you know, as a matter of fact, that no ship can live on the ocean in competition if it costs 50 to 60 per cent more than its competitor?

Mr. DOUGLAS. No; I do not know, sir, anything of the kind, and I do not believe it.

Mr. HARDY. You do not think the cost of the ship would amount to anything?

Mr. DOUGLAS. I do not think the cost of the ship is of very serious moment.

The CHAIRMAN. Your theory is that if the Government puts up enough money you can still operate, whether you have cargoes or not?

Mr. DOUGLAS. No; I won't be put in that position. I will answer Judge Hardy's question. I say that the cost of the ship is not of such serious moment, although I would give the lines which agree to run these vessels the privilege of buying these ships anywhere they chose in the world for a number of years, and gradually have them replace those ships with American-built ships. That is only a question of bonding those vessels at 4 or 4½ per cent. That would mean a cost of eight or nine thousand dollars extra handicap for the size of ships required. That eight or nine thousand dollar handicap is not going to do away with the ability to build up our shipping.

Mr. HARDY. If a \$1,000,000 vessel here would cost only \$600,000 on the Clyde, and you have 4½ per cent interest put on that bonded indebtedness, that is \$24,000 a year.

Mr. DOUGLAS. But you are not going to build any such ships as that.

Mr. HARDY. But you can illustrate it by a good ship, can't you?

Mr. DOUGLAS. You can better illustrate it by a certain ship necessary to a trade.

Mr. HARDY. You say that does not amount to anything?

Mr. DOUGLAS. Twenty-four thousand dollars is a considerable item; yes, but not a correct figure for ships required.

Mr. HARDY. Would not the repairs equal the original cost in 20 years?

Mr. DOUGLAS. There is no ship now that would last for 20 years on established lines.

Mr. HARDY. Well, in 15 years?

Mr. DOUGLAS. I would not like to say.

Mr. HARDY. Mr. Douglas, don't you know that the added amount in the original cost, the added amount of bonded indebtedness, the added amount of insurance, the added amount of repairs, would prevent anybody from competing?

Mr. DOUGLAS. It would, to-day, under our present conditions; yes. But if the United States Government had the liberality it ought to have and would look at this thing in an intelligent way, and instead of letting this matter drift on——

Mr. HARDY. Why don't you people fight the shipbuilding monopoly some? Why don't you get cheaper ships?

Mr. DOUGLAS. My dear sir, we have all advocated cheap ships for many years.

Mr. HARDY. Have you made any effort to get a bill through Congress?

Mr. DOUGLAS. Yes, sir; I introduced it myself, and it slumbered in your committee and we could not get it out.

Mr. HARDY. Were you in favor of letting free ships come in?

Mr. DOUGLAS. Certainly; I was. It would not solve the problem, though.

Mr. HARDY. When you proposed to let free ships come in, you proposed to hamstring them by denying them cargoes?

Mr. DOUGLAS. I did not. My proposition went further than yours in one way. I was willing for foreign ships to come in, by reason of the fact they were going to get this mail subsidy contract and then be replaced by American ships as fast as we could, those ships to be used in case of war by this country. You gentlemen are spending millions of dollars every year for colliers——

Mr. HARDY. It would not amount to a drop in a bucket.

Mr. DOUGLAS. It would amount to enough to start the American shipping.

The CHAIRMAN. We have already taken the first step, then, from your standpoint, in admitting foreign ships to American registry and permitting them to enjoy the mail contract pay. Now, if the mail pay were increased, you think that if with the added advantage of having foreign ships and bringing them under the American flag we could build and operate a line of ships to South America, that would be helpful to our commerce?

Mr. DOUGLAS. It undoubtedly would; yes, sir. Of course, the question of free ships has been the one solid argument that those who are prejudiced against American shipping have hung their hats on for many years.

The CHAIRMAN. It is half past 12, and I suggest we take a recess.

Mr. HUMPHREY of Washington. I should like to ask Mr. Douglas some questions. Mr. Douglas, I want to go back to this fallacy that we hear so much about, that the German ships are not subsidized. I will ask you if it is not a fact that, in the first place, German lines are given preferred freight rates over the Government-owned railroads in Germany?

Mr. DOUGLAS. That has been stated as a fact for many years, and I believe it to be true.

Mr. HUMPHREY. Is it not also a fact that they are subsidized in this way, that a foreign line or a competing line can not get ports in Germany?

Mr. DOUGLAS. I understand it is true.

Mr. HUMPHREY. Are they not absolutely excluded by law from certain ports?

Mr. DOUGLAS. I would not like to say, but I am told it is so.

Mr. HARDY. How is that?

Mr. HUMPHREY. Germany will not permit a competing line to come in there at all. Just to illustrate, if an American line wanted to run in opposition to the Hamburg-American Line, they would not permit it to come in.

The CHAIRMAN. A gentleman who was here the other day promised to furnish us information on that question. He is going to translate for us the German navigation laws. There has been much assertion one way and another on that question.

Mr. HUMPHREY. There is another way, too, in which those vessels are able to help themselves very greatly. They are enabled to make these special contracts, these rebate contracts, and, of course, the German law will enforce those rebate contracts and those special contracts, discriminating contracts of every kind and character.

Mr. HARDY. You mean the German Government stands right back of the proposition we are trying to fight in South America?

Mr. HUMPHREY. They enforce them in law. In other words, they make an agreement with a German firm that they will patronize their shipping line for a number of years, and that during that time if they give any of their cargoes to a line outside of their conference the conference lines will not handle their freight.

The CHAIRMAN. I would like to have that confirmed by some correct information. I know that is not true in Great Britain.

Mr. HUMPHREY. I beg the chairman's pardon; it is also true in Great Britain. I have examined those cases, and I am not speaking at random.

The CHAIRMAN. It is exactly in the face of the common law in Great Britain.

Mr. HUMPHREY. You will find this identical case, where they made a contract with a firm in Scotland, I think it was, that if they shipped by any other line or did not comply with the terms of their contract, they would lose their rebates. They shipped from a different port—not over a different line—and it was held it was in violation of their agreement.

Mr. HARDY. In England a contract of the kind we have been speaking about in the Brazilian trade is upheld as a legal and valid contract?

Mr. HUMPHREY. Yes, sir.

Mr. HARDY. Do you know whether that is held illegal in this country?

Mr. HUMPHREY. Why, yes.

Mr. HARDY. Is it your idea it would be better to hold it legal?

Mr. HUMPHREY. No; I am certainly opposed to it. I am simply holding out some of the advantages that some of these foreign steamship lines have.

Mr. HARDY. Your idea is that the remedy for making such a contract is to bar such companies from our ports?

Mr. HUMPHREY. Mr. Douglas, the question was asked here several times as to what effect the subsidized mail lines would have upon the lines outside of the subsidized lines themselves? What effect would it have on this combine between here and South America if we had even two fast mail lines running down there carrying freight; what effect would it have on the freight rates; would it cut them to pieces?

Mr. DOUGLAS. Of course, what action the foreign steamship conference would take in case of your starting an American line with

the aid of American money is difficult for me to answer, but if you should put these lines, both American and foreign, when they want to come here, under American license, I think you could largely control that situation.

Mr. HUMPHREY. Is it not perfectly apparent to anybody that if we have a line of steamships running from here to South America, and if they should cut under the rate of this conference, the conference would either have to come down to that rate or we would get the business?

Mr. DOUGLAS. It is possible you would drive out the foreign lines, but it would take many years.

Mr. HUMPHREY. It would regulate the freight rates?

Mr. DOUGLAS. If you allow them to fight it out, either the foreign line would drive them out or they would drive the foreign line out.

Mr. HUMPHREY. Another question was asked here as to what is a sufficient subsidy to keep these lines running. Since I have been a Member of Congress it has been made before this committee as a definite proposition. For instance, the Boston Steamship Co. came before this committee one time and made a definite proposition that if they were permitted to take so much subsidy they would continue to run.

Mr. DOUGLAS. I think American capital has always been prepared, if they were able to get together with you on terms, to agree to do certain things as you desire.

Mr. HUMPHREY. There is one other question about the argument made that capital finds other fields more inviting than they do the shipping business. However, millions of American capital find the shipping business inviting under foreign flags, does it not?

Mr. DOUGLAS. There has been more or less foundation in that, but not to an appreciable extent.

Mr. HUMPHREY. Take the case of the United Fruit Co.?

Mr. DOUGLAS. Yes; the United Fruit Co. and the Standard Oil Co. have a lot of steamers, and some few lines outside, but not any appreciable number.

Mr. HUMPHREY. So the point that shipping in itself does not offer sufficient attraction for American capital is destroyed by the fact that it is sufficient if run under a foreign flag?

Mr. DOUGLAS. Of course under our navigation laws we all know it gives us a good deal of trouble.

The CHAIRMAN. Mr. Stephens desires to ask a question.

Mr. STEPHENS. You stated that the Oil, the Steel, and the Harvester Trusts received special rates for their shipments from the different conference lines?

Mr. DOUGLAS. I stated that is the current rumor; you might say it is the current rumor and impression.

Mr. STEPHENS. Do you know whether the special rates given to those trusts are the cause of competition in rates between the members of the conference lines, or is it because of a preagreement between the conference lines?

Mr. DOUGLAS. I think in the case of the Standard Oil it is to some extent by reason of actual competition, as the Standard Oil has bought vessels and sailed them, as you know. I think in the case of the other people it is simply by reason of a threatened competition.

Mr. STEPHENS. You do not get my idea. Is the low rate because of competition between the different members of the conference lines?

Mr. DOUGLAS. Oh, no; not at all.

Mr. STEPHENS. They do not compete at all, do they?

Mr. DOUGLAS. No; they take that pro rata among them, you know, as it suits them.

The CHAIRMAN. Mr. Douglas, I have one other question in reference to regulation. Suppose Congress should pass an act increasing the mail pay sufficient to overcome the obstacles you have in mind, would not the natural tendency be for our subsidized lines, in the absence of legislation forbidding it, to go into the conference or combination with these other lines?

Mr. DOUGLAS. Your law would have to prevent that; you would have that regulated by law.

The CHAIRMAN. State whether or not you are in favor of legislation which would bring all these lines, domestic and foreign, under the supervision of some tribunal, either the Interstate Commerce Commission or some other commission, and compel them to file their rates and submit to all reasonable regulation like the railroads?

Mr. DOUGLAS. I am; yes, sir. And I am further in favor of demanding that those through bills of lading should in all cases specify when they are from internal points—inland places—the rates of freight which pertain to the seaboard, and the rate of freight which pertains to the ocean part.

The CHAIRMAN. To be separate?

Mr. DOUGLAS. Yes, sir; on the bill of lading.

The CHAIRMAN. And that the shippers should have their election by what route or line they should ship.

Mr. DOUGLAS. Exactly; and that ought to be under control of some tribunal, such as you stated; yes, sir.

The CHAIRMAN. We will now take a recess until 2 o'clock.

AFTERNOON SESSION.

The CHAIRMAN. The committee will come to order. Did I understand you, Mr. Douglas, desire to make an additional statement?

Mr. DOUGLAS. I will just make a few corrections, if I may.

The CHAIRMAN. You may proceed.

Mr. DOUGLAS. I think I stated that I knew absolutely of no rebates being paid to ourselves or others in New York. If I am correct, I think on reflection, that there is one line that runs from New York down to the West Indies that still allows rebates. I think it is one of the fruit lines. I am not sure, but I could send the committee the name of the line if you would like to have it that still allows ourselves and some other merchants a small concession or rebate on the freight. I would like to have that correction made.

The CHAIRMAN. Is that in the form of a written agreement?

Mr. DOUGLAS. No, sir; there is no agreement; but I think that at certain specified periods they send in a rebate to different merchants. That occurred to me afterwards. It was such a small, little thing that I did not think about it at the time, but I would like to have my evidence corrected accordingly. There is also one other thing I was not quite sure of. You asked me if I was an officer of that company. I was not sure whether I was or not. I may be one, but I was not able to recall. I have paid so little attention to that company's affairs for a good many years that I do not remember. I am a

director—that I stated—that I do know, and think I am a vice president, I am not quite sure whether they elected me at the last meeting or whether they did not. I would like to have those few corrections made.

The CHAIRMAN. And you will furnish the information in reference to rebates?

Mr. DOUGLAS. I will send you the name of the line, if I am correct that that line does yet allow rebates. I will send it to you personally, Mr. Alexander.

NEW YORK, January 9, 1913.

DEAR SIR: As requested by you, I looked into the matter of rebate on shipments to such countries as our firm shipped to, and find I was correct in stating we receive no refunds of any kind excepting in one case. The Hamburg-American Line, Atlas Service, the Royal Mail Packet Co., and the United Fruit Co., on shipments to Kingston, Jamaica, charge a primage of 10 per cent, which amount is rebated at the end of specified periods for the shipments during the previous six months. This concession is not paid on other ports in Jamaica nor allowed by steamship lines to other ports in the West Indies, so far as my knowledge goes. We have no contract with the lines named, and we are at full liberty to ship by any other line if opportunity offers.

The second correction made by me after lunch recess is also in order, and I would state that I am a vice president of the U. S. & A. S. S. Co. as well as director.

Respectfully, yours,

WM. H. DOUGLAS.

To Hon. JOSHUA W. ALEXANDER,

Chairman Committee on Merchant Marine and Fisheries,

House of Representatives, Washington, D. C.

TESTIMONY OF MR. ALLERTON D. HITCH, TREASURER, HAGEMeyer TRADING CO., EXPORT AND IMPORT COMMISSION MERCHANTS, 17 BATTERY PLACE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the stenographer your name.

Mr. HITCH. Allerton D. Hitch.

The CHAIRMAN. And your address and business.

Mr. HITCH. Yes, sir.

The CHAIRMAN. Give it so the committee can hear it.

Mr. HITCH. Allerton B. Hitch, Hagemeyer Trading Co., export and import commission merchants, 17 Battery Place, New York.

The CHAIRMAN. Are you an importing or exporting firm?

Mr. HITCH. Both.

The CHAIRMAN. Both importing and exporting. In what trades?

Mr. HITCH. Principally South America; largely Brazil. We also do a little to the East.

The CHAIRMAN. How far east?

Mr. HITCH. Why, China and the Dutch East Indies.

The CHAIRMAN. Are you engaged in the Australian trade?

Mr. HITCH. No.

The CHAIRMAN. What lines of commodities do you handle?

Mr. HITCH. Practically everything that they want from America, and import sugar, cocoa, cochineal, rubber; but not coffee; wool, but not coffee, except from Java. We export some coffee from Java.

The CHAIRMAN. The subpoena that was served on you, Mr. Hitch, directed you to produce certain contracts or agreements or arrange-

ments between yourselves and any shipping lines. Have you any documents of that kind?

Mr. HITCH. We have only one contract with any steamship company, beyond our daily contracts for special lots of freight. We have only one regular contract; that is with the Argentine Line. We had very little business with the Argentine, but we have a contract with the Houston Line, similar to the contract about which Mr. Douglas testified; that is the only contract we have.

The CHAIRMAN. Have you a copy of that contract with you?

Mr. HITCH. I have.

Mr. HUMPHREY. May I ask where that line runs?

Mr. HITCH. To the Argentine—between New York and the Argentine?

Mr. HUMPHREY. What flag?

Mr. HITCH. The English flag.

The CHAIRMAN. Is that the copy of the agreement?

Mr. HITCH. Yes, sir.

The CHAIRMAN. Will you submit it to the stenographer and let him mark it as an exhibit?

The document here submitted by the witness was marked by the stenographer "No. 1, Hitch," and is as follows:

EXHIBIT No. 28.

Memorandum of freight contract made this 27th day of June, 1912, between R. P. Houston & Co., party of the first part, and Messrs Hagemeyer Trading Co., party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahai Blanca from date to April 30, 1913, included.

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (say, 20 days) is given, at the following rates of freight:

	Cents.
1. Harvesters, headers, binders, header, binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows).....	16
2. Cleaners, hay pressers, grain mills, grain planters, land rollers, pulverizers.....	18
3. Wheelbarrows, shovels, spades, and hay forks.....	20
Chairs, desks, and common furniture.....	17½
4. Windmill material.....	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons.....	20
Over 3 tons.....	22
6. Binder twine, per bale.....	23
7. Machinery, up to 2 tons.....	20
8. Lubricating oil (until Dec. 31).....	15
9. Automobiles:	
Not exceeding 2 tons (until Dec. 31).....	15
Over 2 tons (until Dec. 31).....	18
10. Sewing machines (until Dec. 31).....	14
11. General cargo, not otherwise enumerated, current rates at time of shipment.	

All the above rates are to Montevideo and Buenos Aires and are per cubic foot or 56 pounds, at steamer's option, unless otherwise specified, and on pieces not over 2 tons' weight, unless otherwise specified, but it is understood and agreed that it is not permissible to separate parts of one machine or more of the same class; in other words, if part of a machine is taken at the measurement rate, the machine entire must be carried on this basis—the same with weight freight.

It is agreed that the rates of freight to Rosario and Bahía Blanca for all shipments, irrespective of quantity, by any steamer shall be 4 cents per cubic foot or 56 pounds over the Buenos Aires rates, whether sailing direct or to Buenos Aires first. The rates to La Plata shall be 3 cents per cubic foot or 56 pounds over the Buenos Aires rates.

The rate on binder twine to Rosario, Bahía Blanca, and La Plata shall be 6 cents per bale over the Buenos Aires rate.

Rates on goods not covered by above agreement weighing over 4,480 pounds are to be mutually agreed to between the parties hereto.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

All freights to be prepaid.

All shipments are subject to the terms and conditions of the Houston Line's River Plate bills of lading.

Kerosene, naphtha, lumber, rosin, and other rough or dangerous cargo to be subject to special arrangement.

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Hagemeyer Trading Co., estimated to amount to about 2,000 tons from New York to the River Plate ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. Hagemeyer Trading Co. are to be accorded the benefit of all such reductions during the period that said rates are reduced.

R. P. HOUSTON & Co.,

Per W. E. HALM.

HAGEMEYER TRADING CO.

F. E. HAGEMEYER, *President*.

The CHAIRMAN. Did I understand you to say that is the only agreement you have with any company?

Mr. HITCH. That is the only agreement beyond single bookings. We make freight contracts, of course, for single or monthly bookings, of one or two months or a year, perhaps.

The CHAIRMAN. The Houston Line, I believe you say, is the line with which your contract is made?

Mr. HITCH. Yes.

The CHAIRMAN. And, as I understand you, the terms and conditions of that agreement are on all fours with the agreement mentioned by Mr. Douglas?

Mr. HITCH. Yes.

The CHAIRMAN. What lines are in that agreement? Tell the committee what you may know of any conferences or pools or rings between the shipping lines engaged in the South American, the Argentine or Brazilian trades.

Mr. HITCH. With Brazil there is the Hamburg-South American, the Prince Line, the Lamport & Holt Line, which are in the conference; outside of that, there is the Lloyd Brazilierio. So far as that is concerned, we do not know definitely, but, so far as we understand, all three lines mentioned at first are in agreement as to rates, and as to the number of steamers they run, and the Lloyd Brazilierio is entirely separate.

The CHAIRMAN. Rates that refer to passengers as well as to freight?

Mr. HITCH. The Lamport & Holt are the only ones that take passengers. The other lines take freight alone. The Lamport & Holt only take first-class freight or freights that are in a hurry, such as fish and apples—perishable goods—and they get an extra rate for these.

The CHAIRMAN. Theirs is the faster line of steamers?

Mr. HITCH. Theirs is much the faster line; yes.

The CHAIRMAN. Have you any contract or agreement with these lines or any other lines by which either on the exports or imports you are allowed a rebate?

Mr. HITCH. None whatever. There are no rebates that I know of on exports to Brazil. There are no rebates that I know of from Brazil except coffee, and that we have nothing to do with.

The CHAIRMAN. You do not receive any rebates?

Mr. HITCH. No.

The CHAIRMAN. In any trade?

Mr. HITCH. None whatever.

The CHAIRMAN. The Lloyd Brazilierio is, so far as you know, an independent line?

Mr. HITCH. Yes; a competitive line.

The CHAIRMAN. The contract to which you have referred binds you to patronize the Houston Line or any one of the conference lines?

Mr. HITCH. This contract I speak of is for the Argentine. There are nothing but conference lines to the Argentine at present. The Lloyd Brazilierio does not go to the Argentine.

The CHAIRMAN. Does not go there? Norton & Son go to the Argentine?

Mr. HITCH. Yes.

The CHAIRMAN. Are they an independent line?

Mr. HITCH. I do not know whether they are or not. They are sometimes called an independent line, but the indications are they are not very independent.

The CHAIRMAN. Why do you think so?

Mr. HITCH. Their rates seems to be the same.

The CHAIRMAN. So that while they may claim to be independent their rates are the same as the conference line?

Mr. HITCH. So far as I know.

The CHAIRMAN. What other trades do you say you are engaged in?

Mr. HITCH. We import sundry articles from South America. We do a business with Chile and we import and ship to Java and a small quantity of articles to China.

The CHAIRMAN. Do you to any extent employ what is commonly called "tramp steamers"?

Mr. HITCH. If by "tramp steamers" you mean the chartered or slow boat under regular lines—

The CHAIRMAN. I mean independent tramp steamers.

Mr. HITCH. There are not any, that I know of.

The CHAIRMAN. Not any?

Mr. HITCH. Not in our trade.

The CHAIRMAN. It has been said by some that the tramp steamer was the solution of this whole question; that they insured competition in the carrying trade on the sea. Are they a factor at all?

Mr. HITCH. Not in the Brazil trade, which I know most of.

The CHAIRMAN. Are they in the trade to England?

Mr. HITCH. We do not do any trade with England.

The CHAIRMAN. Take it in all the other trades in which you are engaged. I believe you say you have no written agreement?

Mr. HITCH. No.

The CHAIRMAN. But your dealing is entirely with lines that are known as the conference lines?

Mr. HITCH. Yes.

The CHAIRMAN. And their rates are identical. There is no competition between them?

Mr. HITCH. Are you speaking of the Argentine now?

The CHAIRMAN. I mean elsewhere where you trade.

Mr. HITCH. In Brazil there is no competition except with the Lloyd-Brazilierio.

The CHAIRMAN. Yes——

Mr. HITCH. In Argentine there is no competition at all.

The CHAIRMAN. Why don't——

Mr. HITCH. Excuse me.

The CHAIRMAN. Now, the Lloyd-Brazilierio is a line that is a Government line?

Mr. HITCH. Yes.

The CHAIRMAN. Organized for the purpose of breaking up this combination or trust. Why do you not patronize that line in shipments from New York to Brazil?

Mr. HITCH. We do.

The CHAIRMAN. You do?

Mr. HITCH. Very largely. There are certain things that we can not ship via that line, or at least a good many of our customers who will not allow us to ship by the Lloyd-Brazilierio, notwithstanding the lower freight rates, and the reason for that, as I understand it, is that there are—those steamers are poorer steamers, slower steamers, as a general thing. They go to a good many ports; and if we are shipping, for instance, to Rio Santos, and we ship by a steamer that is going to stop at one or two northern Brazil ports it makes a very long voyage; and, furthermore, the discharge of the Lloyd-Brazilierio steamers is slow as compared to the combined line steamers. The Lloyds, as you know, are a Government line, and their agents are very apt to be retired naval or army officers who know very little about the steamship business, and take very little interest apparently in quickening the discharge. The result is there is continual complaint about delay and want of interest on the part of the agents. We never—our greatest difficulty is that if there is a shortage of cargo, as frequently happens, it is as much as your life is worth to get any claim out of them at all. They send it back here to New York, and the New York agents say it will have to be referred to Rio, and they at Rio that it will have to come back to New York, and there we are, between "pillar and post," and do not get our claim settled.

The CHAIRMAN. Then, one reason why the Lloyd-Brazilierio Line is not a success is in view of the fact that its management is not up to date and in the hands of inexperienced men.

Mr. HITCH. Outside of their New York agents.

The CHAIRMAN. Yes.

Mr. HITCH. The New York agency has a businesslike office, and they attend to things properly, but when it comes to the South American agencies it is very unsatisfactory.

The CHAIRMAN. Do you have any trade with Japan and China?

Mr. HITCH. We have a few imports; that is all.

The CHAIRMAN. From what country?

Mr. HITCH. They come from China—wool and nuts.

The CHAIRMAN. Come through the Suez Canal?

Mr. HITCH. They come sometimes through the Suez Canal. We have a shipment now that is coming by way of Hamburg, but I believe via the Suez Canal the rates are very high.

The CHAIRMAN. Do you know what line it is that shipment of wool is coming via the Suez Canal?

Mr. HITCH. I believe the present shipment which is coming through the Suez Canal is wool; and some nuts are coming by way of Hamburg.

The CHAIRMAN. Do you remember what line?

Mr. HITCH. No; I do not know what line it is coming by.

The CHAIRMAN. You say there is no regular agreement?

Mr. HITCH. None that we know of; we have nothing to do with the freight. Of course they are simply our agents or correspondents out in China and they will ship via whatever line they think best. We know nothing about any rebate. We do not get it at any rate.

The CHAIRMAN. Could you find out for us?

Mr. HITCH. Why, I can write to China and ask them, but if there is a rebate they probably would not say anything about it. We do not know whether there is or not; we have no reason to think there is any rebate.

The CHAIRMAN. The reason I asked is we have a trade tariff from Japan and China—Hongkong—to New York, via Suez, which contains that rebate feature. I wanted to know if you are a participant in that rebate on shipments from China.

Mr. HITCH. We are not a participant in it.

The CHAIRMAN. I do not mean you are a party to the agreement, but are you a beneficiary in the rebate?

Mr. HITCH. Our agent there may be or our correspondent there, at least. We buy the wool from him, or he consigns it to us, and we know nothing about any freight arrangements that he may make.

The CHAIRMAN. If there is any rebate you would not be the beneficiary of it?

Mr. HITCH. No; not in any way. Our agent would be the beneficiary of the rebate, because he would be able to reduce the cost of his wool and make us a lower offer.

The CHAIRMAN. Is the offer for the wool delivered here?

Mr. HITCH. Yes; delivered here.

Mr. HUMPHREYS of Washington. Before we leave the South American situation I want to ask the witness a question. In speaking about the difficulty in discharging cargo, do you know anything about the discrimination in regard to charging freight cargo practiced in favor of the conference lines?

Mr. HITCH. No; I do not. I do know that the Lloyd-Brazilierio are given an advantage in the discharge of their cargo in the rate. I understand they pay less port dues or less wharfage, something of that sort.

Mr. HUMPHREY. I have seen it frequently charged that the conference lines farther south in South America beyond where this Brazilian line runs, that many of those ports do discriminate in favor of the conference lines, and the shippers, if they attempted to patronize outside ships or send a tramp vessel there that they found there obstructions in the way of being able to discharge their cargoes.

Mr. HITCH. I do not know anything about the tramp lines, but there are no lines south of Rio and Santos, in Brazil, that I know of except the Hamburg-South American. Their steamers are the only ones that go south to Pernambuco and Para Hiba.

Mr. HUMPHREY. I remember an instance where the manufacturers of doors, I think it was, on the Pacific coast investigated by sending some of their products to South America, and the man they sent to look into it reported that he found very great discrimination in the way of making this charge, and if they sent them there by a vessel other than the conference lines that they might get there on time, but they would not agree that they would be able to discharge their cargo in less than 30 days.

Mr. HITCH. On the east or west coast?

Mr. HUMPHREY. Either coast.

Mr. HITCH. We are speaking about the west coast just now. I was speaking about the east of Brazil. You mean on the Chile side?

Mr. HUMPHREY. No; I am speaking about the east coast of South America.

Mr. HITCH. The east coast?

Mr. HUMPHREY. Yes.

Mr. HITCH. I beg your pardon.

Mr. HUMPHREY. Argentine?

Mr. HITCH. Yes.

Mr. HUMPHREY. So, I wondered if you knew anything about the discriminations?

Mr. HITCH. No. I do not know anything about the discriminations. I do know that in the south of Brazil the lighters are mostly owned by the Hamburg-South American Line, and that may account for the fact.

Mr. HUMPHREY. I remember that incident, and the agent reporting that would be one very serious objection, among other things, to cause his firm not to undertake to send their products down there.

Mr. HITCH. They probably had to lighter everything?

Mr. HUMPHREY. Yes.

Mr. HITCH. And it was a question of the lighterage contract with the steamship company.

Mr. HARDY. In other words, that the lighterage supplied by the Hamburg company to the outside required payment of a heavy due.

Mr. HITCH. The lighters would probably be all busy.

Mr. HUMPHREY. The business people at Buenos Aires—that was the place, as I recall—in making their contract and figuring on going into it had their attention called to that fact and warned that they would probably be greatly delayed in getting their cargo discharged even if they reached that point.

Mr. HITCH. I do not know anything about Buenos Aires; I do very little business there.

Mr. HUMPHREY. Do you do business in Chile?

Mr. HITCH. Yes, sir.

Mr. HARDY. What lines run from Chile to New York?

Mr. HITCH. To New York the South American Line, which is commonly said to be owned by the steel company; William R. Grace & Co.; and the Duval Line—these lines all run by the straits.

Mr. HARDY. Well, do they all charge the same rates?

Mr. HITCH. Why, practically. I think their rates are all the same.

Mr. HARDY. Is it your understanding they work under any agreement?

Mr. HITCH. There seems to be a good deal of competition about getting the freight, but, so far as I have found, the rates are about the same.

Mr. HARDY. Just about the same competition as there is between the railroads running into the same point having the same rate of freight as to another point?

Mr. HITCH. Very much the same. There is also competition as to the ports. There are some ports that some of the lines will go into and other lines will not, and in that way there is competition as to that port.

Mr. HARDY. You mean that they divide the territory?

Mr. HITCH. Well, no; I do not mean so much that they divide it, but if one line can get enough freight to go into a little port like Conda, that line will then be able to take their freight for that port.

Mr. HARDY. Do they have any understanding as to this port being the province of one line and that port of another?

Mr. HITCH. No; I think not. I think they have a gentleman's agreement as to the rates, but beyond that I think there is very little agreement.

The CHAIRMAN. You do not think they divide up the territory, do you?

Mr. HITCH. No; I do not think so. It is a question of the depth of the ships, really.

The CHAIRMAN. Do they not divide the lines—each line has a different depth of ship, has it not?

Mr. HITCH. The other lines charter boats. Grace charters some boats and some of Grace's smaller boats can go in some of these ports in which some larger boats can not go.

The CHAIRMAN. Have you any rebate agreements, either going down or coming back?

Mr. HITCH. We have not. We do not expect any rebates.

The CHAIRMAN. I believe you said that the only rebates you knew of were on cottonseed oil?

Mr. HITCH. The only ones I know of. In addition to those three lines I mentioned there are other lines by way of the Isthmus—the United Fruit Line, the Royal Mail Line, and the Panama Steamship Line—and their rates are not the same.

The CHAIRMAN. What is the difference in those rates?

Mr. HITCH. There is a difference in those rates. For instance, the United Fruit Line will make a cheaper rate; on cottonseed oil, for instance, they are much cheaper, and some other line is cheaper on heavy stuff.

Mr. HARDY. Do you mean to say that the rates charged from New York to points on the west coast of South America via the Hamburg-American, the Panama Railroad, and the United Fruit Co. are not the same—that is to say, that the three lines differ?

Mr. HITCH. Yes, sir; we find the rates cheaper from time to time.

Mr. HARDY. Do those three lines use any printed tariffs?

Mr. HITCH. I do not know whether they use a tariff or not. We do not do very much business with them, because of the very bad

handling across the Isthmus and down the west coast, but we have found quite a little competition in cottonseed oil, for instance.

Mr. HARDY. Do you know whether those three lines, operating to the west coast of South America, across the Isthmus, use the tariff published by the Panama Railroad?

Mr. HITCH. No; I do not know whether they do or not.

Mr. HARDY. Have you ever examined the amount of difference between the rates charged by the lines via the Isthmus, as compared with the lines going to the west coast via the Straits of Magellan?

Mr. HITCH. Yes; in some cases they are cheaper via the Isthmus; in cottonseed oil particularly they are likely to be cheaper via the Isthmus, but the other articles are generally a little more expensive. Of course, it is quicker via the Isthmus, as a general thing.

Mr. HARDY. How do you account for these differences between these companies? Are they not a part of the conference lines?

Mr. HITCH. I do not know, Congressman, why there should be any difference. I do not know that they are in the conference. We know that they are bothering us all the time to ship by them; their freight agents are in our office day after day trying to get freight, and they seem to be very keen for the freight.

Mr. HARDY. These are the same lines that are called the conference lines as to Brazil and Argentina, are they not?

Mr. HITCH. No; they are different lines. You see the Panama Line does not go to Brazil or to Argentine and the United Fruit Line does not go to Panama or Argentine.

Mr. HARDY. Is not that United Fruit Line a line belonging to a company that has its plantations in Central America?

Mr. HITCH. Yes; it is the big fruit company, the Boston concern.

Mr. HARDY. And they handle their own products a great deal, do they not?

Mr. HITCH. Yes.

Mr. HARDY. Are they not really about the most independent concern, the most free from other connections, of any line you know of?

Mr. HITCH. I suppose they ought to be, having so much cargo of their own. I do not know whether they are or not.

Mr. HARDY. Do they give you cheaper rates than the other companies do?

Mr. HITCH. On some articles they do.

Mr. HARDY. How do you account for the fact that on some articles they have a cheaper rate and on some they have not. That is a peculiar condition, is it not?

Mr. HITCH. It depends on the facilities of the line and of the ship. For instance, we had a case not long ago when we had some heavy railroad material and there was only one line able to handle that at all; the material was too heavy for the davits. They did not have the power to raise it on the deck; did not have room for it on the deck.

Mr. HARDY. They had practically a one-sided arrangement as to that, had they not?

Mr. HITCH. Yes, sir.

Mr. HARDY. About this oil, you say one of the lines handles it cheaper than the other. Are they better prepared for handling oil?

Mr. HITCH. No; I have often wondered why they will take cottonseed oil at lower rates.

Mr. HARDY. What was it you said that some of the lines handled cheaper?

Mr. HITCH. Some handle heavy freight cheaper.

Mr. HARDY. If you average up the whole thing, are they not about on a par with each other?

Mr. HITCH. Pretty much the same, as a general thing.

Mr. HARDY. Still, they are competing for the business and worrying your office for freight?

Mr. HITCH. Yes; and worrying our customers out there to instruct us to ship by their line.

Mr. HARDY. That looks like competition, does it not?

Mr. HITCH. Yes.

Mr. HARDY. The great majority of the rates, however, charged by the lines going to the west coast via the Isthmus are the same, are they not?

Mr. HITCH. They are more or less the same; yes. There are a few articles where we find quite a marked difference.

Mr. HARDY. What are those companies?

Mr. HITCH. The Royal Mail, the Panama Line, and the United Fruit Line.

Mr. HARDY. The Royal Mail is the company that bought out the Lamport & Holt Co., are they not?

Mr. HITCH. Yes.

Mr. HARDY. Going to Brazil?

Mr. HITCH. Yes; and the Pacific Mail going to Argentine and the west coast.

Mr. HARDY. That is almost a monopoly, enough to attract serious attention. Is there any considerable amount of freight going that way?

Mr. HITCH. Via the Isthmus?

Mr. HARDY. Yes.

Mr. HITCH. Yes; light freight that they are in a good deal of a hurry for will go very likely via the Isthmus, but heavy freight, it is very dangerous to send that way. We had an experience here some time ago. We sent a lot of freight cars to the Isthmus, and the insurance agent telegraphed from the west coast of Panama to cancel the insurance, because they were loading the freight cars on the outside of the steamer, hanging them down on the side of the steamer.

Mr. HARDY. And the heavy freight goes around by the Horn, does it not?

Mr. HITCH. Yes; and the service down the coast is very poor.

Mr. HARDY. And that freight is one freight on which the rate is the same with all the companies, is it not?

Mr. HITCH. Yes, sir.

Mr. HARDY. It is just a little sporadic freight that goes via the Isthmus that you get these better terms on, is it not?

Mr. HITCH. Yes.

The CHAIRMAN. Of course, Mr. Hitch, we have got reports with their tariffs from these four lines that operate to the west coast of South America via the Isthmus.

Mr. HITCH. Yes.

The CHAIRMAN. And they show this condition to exist. As regards the four lines operating from New York to the west coast, the freight classifications and the rates to approximately 50 South American ports are identical in every particular. The tariff went into effect June 20, 1912. The tariffs, although used by each of the four lines, are identical in practically every item, with the exception of the title-page.

Mr. HITCH. We have never seen those tariffs; and, so far as Chile is concerned, as I have just said, the principal marked difference is on cottonseed oil, the only thing that we have found a difference on.

The CHAIRMAN. Is that carried by one of the conference lines?

Mr. HITCH. By one of the fruit lines.

The CHAIRMAN. They also say, in their report to us, that they have an understanding with each other.

Mr. HITCH. I see.

The CHAIRMAN. So they will not cut the rates without notice to the others.

Mr. HITCH. There may be some arrangement by which—

Mr. HUMPHREY (interposing). I was going to ask if there might not be, for some particular reason, an agreement under which they changed these rates with reference to cottonseed oil. Do you know of any particular reason?

Mr. HITCH. No; I asked the freight man not very long ago how it was that he was higher on some rates than the other lines via Panama and so much lower on cottonseed oil, and he said he could not explain it.

Mr. HUMPHREY. I imagine it is by agreement, but I wondered myself why it was so.

Mr. HITCH. Of course, the principal importance to the exporter is regular service and steady rates.

The CHAIRMAN. How about the reasonableness of the rates?

Mr. HITCH. I think the rates are pretty high just at present. They have been raised very materially. On some articles they have been raised 300 per cent in the last six or seven months.

Mr. HUMPHREY. Did they give any reason for that?

Mr. HITCH. The reason given for the raising of the rates 3 cents per foot, or \$1.20 a ton, was because of the delay on account of the stevedores' strike. The reason given for the other raises of late was the extra cost of charter at the present time. Steamship charters are very high at present, but they have got the rates to such a place now that there must be an enormous profit.

Mr. HUMPHREY. These companies, as a rule, whenever they are delayed on account of a strike, immediately increase rates to cover the loss, do they not?

Mr. HITCH. They usually get back at the exporters.

Mr. HUMPHREY. They did the same thing between here and Europe when they had that recent strike over in London, did they not?

Mr. HITCH. We do not ship anything to London, so I can not say.

Mr. HUMPHREY. I thought perhaps you might know.

Mr. HITCH. I believe that was the case.

Mr. HUMPHREY. In other words, they make the dear public pay for any loss they may sustain by reason of the strike?

Mr. HITCH. They are very apt to do so.

Mr. HARDY. Have you stated what the main commodities of shipment by you are?

Mr. HITCH. I suppose the main things we ship are boiler material, hardware, flour, oils, gasoline, and things of that sort. There is one point I should like to mention. Some one testified to the 30 per cent preferential on flour from this country, and stated that that preferential was eaten up by an extra rate charged on freight, so that Europe supplied the flour to South America, but that is a mistake. We get the full benefit of the preferentials, because there is no flour coming from Europe, with the exception of a very little flour from Trieste. This country supplies 150,000 to 200,000 barrels of flour a year to Brazil.

Mr. HUMPHREY. What do you know about the rates being immediately increased when that preferential was given?

Mr. HITCH. The rates were not immediately increased on flour. The rates have been pretty much the same for a long time. They were increased about a month ago $2\frac{1}{2}$ cents a barrel, but I think the rates on flour are quite reasonable. They are 70 to 75 cents a barrel. I remember very well when we had an American line to Brazil, and at that time we paid \$1.25 a barrel.

Mr. HUMPHREY. My recollection is the report of the conference was that when that reference was given to us the only result was to increase the rate.

Mr. HITCH. The cheapest rate I have ever known on flour was after the 20 per cent preferential was given and before the 30 per cent preferential was given, about a year ago, when the rate on flour was the cheapest it has ever been.

Mr. HUMPHREY. If all the flour came from here, what was the purpose of giving the preferential?

Mr. HITCH. The great competition on flour is with the Argentina and with the Rio Janeiro flour mills, and with the native flour mills there. You see Argentine supplies, I suppose, 60 or 70 per cent of the flour that is used in Brazil; that is, Argentina and Rio Janeiro mills. We only get 30 per cent, more or less.

Mr. HUMPHREY. This increase, then, in the freight rate was for the benefit of Argentine, instead of Europe, was it not?

Mr. HITCH. I think the increase of the freight rate was because of the advance in the cost of ships here. The combined lines had the freight rate down as low as 50 cents a barrel within a year ago.

Mr. HARDY. What is it now?

Mr. HITCH. To-day it is 75 cents, I believe.

Mr. HARDY. Do you know what the duty on flour is there?

Mr. HITCH. The duty is 70 cents a barrel. It is \$1 a barrel to other countries and 70 cents a barrel to the United States.

Mr. HARDY. So they raised over the 50 cents, 25 cents a barrel higher, while we get 30 cents less duty than the other countries?

Mr. HITCH. They have raised here, but the rates from Argentine to Brazil have also been raised.

Mr. HUMPHREY. Then they just simply took advantage of it both ways?

Mr. HITCH. Well, I do not think the 30 per cent preferential or the 20 per cent preferential had anything to do with the raise in the rate on flour, because it was not only flour that was raised.

Mr. HUMPHREY. When was it you paid the 75 cents?

Mr. HITCH. We are paying 75 cents a barrel now.

Mr. HUMPHREY. You say you think that is a cheap rate?

Mr. HITCH. Yes; a fairly reasonable rate.

Mr. HUMPHREY. Unless I am much mistaken, the rate at one time from Minneapolis to Hongkong was 70 cents a barrel, and they carried it there some 1,500 miles by rail before they put it on the vessel.

Mr. HITCH. Well, we are paying from 35 to 50 cents a foot for general cargo to Brazil, and 75 cents is a little over 6 cents a foot. You see, that is not a very high rate. I should say it is a little over 12 cents a foot.

Mr. HUMPHREY. I do not know how you figure it, but I remember seeing a statement made by James J. Hill that he was carrying a barrel of flour from Minneapolis to Hongkong for 70 cents.

Mr. HITCH. That was an extremely low rate, and there must have been some competition on the Pacific coast.

Mr. HUMPHREY. If that is true, I do not think you are getting a very cheap rate.

Mr. HITCH. I do not think you can compare west-coast freight and freight on this coast.

Mr. HUMPHREY. Why not?

Mr. HITCH. Because there may be competition on that coast and not here.

The CHAIRMAN. Can you suggest any information to that effect?

Mr. HITCH. No, sir.

Mr. HUMPHREY. There might have been at the time this occurred; there is not any now.

Mr. HITCH. I compare the rates from the time we had competition.

Mr. HUMPHREY. Some years ago, when this statement was made, was it not?

Mr. HITCH. When we had an American line the freight was \$1.25.

Mr. HUMPHREY. At that time we had several American ships running from Puget Sound to the Orient, had we not?

Mr. HARDY. How long ago since we had that American line?

Mr. HITCH. I think that line failed in about 1888, if I remember right.

Mr. HARDY. Was it a subsidized line?

Mr. HITCH. Yes, sir; it was entirely subsidized.

Mr. HARDY. Do you know how much subsidy they got?

Mr. HITCH. No, I do not know; I do not recollect now.

The CHAIRMAN. What company was that?

Mr. HITCH. The United States & Brazil Mail Steamship Co.

Mr. HARDY. Was it subsidized by both Governments or by just one?

Mr. HITCH. By both Governments.

Mr. HARDY. Under the American flag?

Mr. HITCH. It failed because of extravagant management and the naturally heavy expense of running American vessels under our present laws.

Mr. HARDY. You do not say anything about the imports on American vessels.

Mr. HITCH. I include that, of course; that is part of the American laws.

Mr. HARDY. So your experience is that the American line is about the hardest customer you have to run against in ports?

Mr. HITCH. I do not see how an American line can be run and give a fair return for the investment unless they are very heavily subsidized, and unless they can get their ships in without any tariff on them; in other words, buy their ships at the same cost the foreigner buys his ships—be able to run them as cheaply, and also have a heavy subsidy; but, personally, I do not believe in the subsidy.

Mr. HARDY. You think, in order to have an American line run, you would have to have the ships and the help both cheap, and they would have to be subsidized?

Mr. HITCH. I think to run an American line they would have to be run under the same arrangement the foreign line is. That is, you are going to compete with a subsidized line, and you have got to have a subsidized line yourself; you have got to have your ships built as cheaply as the foreign ships are built, and run as cheaply.

Mr. HARDY. As to the subsidy, what per cent of the English tonnage is subsidized?

The CHAIRMAN. We have accurate information on that.

Mr. HITCH. I do not see any justice at all in the subsidy proposition. I do not see why the unsuccessful lawyer or the unsuccessful business man or the unsuccessful export man should not be taken care of by the Government as well as the United States steamship lines.

Mr. HUMPHREY. You are, however, able to see the result very definitely, are you not?

Mr. HITCH. Yes; I think every unsuccessful man, if the Government would pay his debts, would get along very nicely.

Mr. HUMPHREY. Do you know any other business, outside of foreign shipping, which does not receive Government assistance?

Mr. HITCH. That does not?

Mr. HUMPHREY. Yes.

Mr. HITCH. I do not know anybody but the manufacturers and the steamship people who get that help.

Mr. HUMPHREY. What business are you in?

Mr. HITCH. Export business. We are not helped.

Mr. HUMPHREY. You do not think you get any assistance?

Mr. HITCH. No; I do not. On the other hand, we have the foreign exporters being looked after all the time by the Government. They have their men down in the foreign countries looking after every possible way of improving their export business. We have to fight against a lot of misinformation that generally comes from our consuls.

The CHAIRMAN. I believe our Consular Service is improving.

Mr. HITCH. Very much so, sir.

The CHAIRMAN. Instead of sending discarded politicians down there they are now trying to send experts.

Mr. HITCH. I think I have buried four American consuls because they died from attacks of delirium tremens in Pernambuco, but I am glad to say I think we have a better class there now.

The CHAIRMAN. I think that service is improving very much unquestionably, and the reports that we have received from our foreign consuls prove it.

Mr. HITCH. We have a very much better class. There is no doubt about that. But the American manufacturers are very much responsible for the want of good results in the export trade, because

they want to supply the foreigner with the goods they want to sell and not the goods the foreigner wants to buy. We have had that come up frequently on cement. There was a large amount of cement which we could have sold if the American manufacturer would have put it up in half barrels as the German manufacturer did, and he would not. There is a large amount of dry goods which could be sold in South America except for the fact that the Manchester merchant goes down there and studies the tariff. He sees the minimum amount that can go in under the tariff. That is, the Manchester manufacturer makes his goods to weigh just that weight, and the American man says, "I can not change my arrangements; I must do the thing the same as I always do it."

The CHAIRMAN. I think our consular reports show that the packing is poor.

Mr. HITCH. Very poor.

The CHAIRMAN. That we do not study the tastes of the people, and hence we do not move to meet their conditions, and these other conditions which you have mentioned all militate against the extension of our foreign trade.

Mr. HITCH. There is no doubt about that.

Mr. HARDY. Is not that condition called attention to by the report of the Pan-American conference?

Mr. HITCH. Yes, sir. They have given their attention to it a number of times. They published a book not long ago in which they show the figures side by side of the German packing and the American packing. The American goods were sticking out of the cases.

Mr. HARDY. They also studied what degree of effort was put forth by the Germans to put their goods on the market, did they not?

Mr. HITCH. Not only the German manufacturers and exporters, but the German officials are helping along all the time down there.

Mr. HARDY. You idea is that this Government has done very little in the way of exploiting its wares by official efforts?

Mr. HITCH. Practically nothing, while the German and the English Governments have mercantile agents working all the time to assist the exporter and manufacturer.

Mr. HARDY. That would not be a very expensive operation for the Government to take some interest along that line?

Mr. HITCH. No, sir; not at all expensive—much less expensive than a subsidy.

Mr. HUMPHREY. I should think that the manufacturer would wake up to that.

Mr. HITCH. He does not seem to have awakened to that as yet. There are a few manufacturers who make their things the way the foreigner wants them, but the trouble is that our domestic trade here is so good that he does not want to bother with the export trade until the domestic gets poor. Then there is a sudden rush to do the export business, and he will sell his goods at any old price to get that export business. The minute he gets it then business begins good here and he does not want it.

The CHAIRMAN. In other words, this home trade he has without effort?

Mr. HITCH. Yes, sir.

The CHAIRMAN. And the foreign trade he does not like to put the effort in to get it?

Mr. HITCH. No, sir.

Mr. HUMPHREY. In the last analysis it does not pay him because he has a better market at home?

Mr. HITCH. He has when the boom trade is on, but when trade is poor here he has not got a better market at home.

Mr. THAYER. The Government gets the market for them here, but not abroad?

Mr. HITCH. Yes, sir; by the operation of the tariff.

The CHAIRMAN. Has there been any marked increase in the rates to Chile and Java?

Mr. HITCH. I do not know whether or not there has been much of any increase to Java. We ship very little to Java. But to Chile there has been a decided increase. We were notified that all the lines would increase their rates, I think it was the 1st of July, and they did.

The CHAIRMAN. About what per cent of increase?

Mr. HITCH. I think it was 4 or 5 cents a foot.

The CHAIRMAN. If I remember, it was from about 22 cents a foot up to 30 cents.

Mr. HUMPHREY. What does that amount to on the ton?

Mr. HITCH. Forty feet to the ton—\$26—would be \$10.40.

The CHAIRMAN. Is that increase in rates uniform on all the lines?

Mr. HITCH. All around the straits.

The CHAIRMAN. Then, so far as the trade on the high seas is concerned, there is not any open, active competition anywhere in any trade?

Mr. HITCH. Practically not, except that if you have a considerable quantity of cargo to go forward at any one time you can very frequently get a lower rate, or if their ships are going rather empty just at a certain time sometimes you can get one specific contract with them at a lower rate.

The CHAIRMAN. That is, one of the conference lines?

Mr. HITCH. Yes; but it is—

The CHAIRMAN. Do you know whether they have any pooling arrangements between them as to a division?

Mr. HITCH. My impression is that the only arrangement they have is a fixed rate or a fixed number of steamers for each line, and then it depends upon the cleverness of the agent as to who makes the best result out of that.

The CHAIRMAN. They do not pool their earnings?

Mr. HITCH. I do not believe they do.

Mr. HUMPHREY. What do you import from Java?

Mr. HITCH. Coffee, cubebs, and pepper.

Mr. HUMPHREY. Is there a great amount of coffee brought from there?

Mr. HITCH. Not very much.

Mr. HUMPHREY. I ask that question because I have heard it stated that there is none brought here.

Mr. HITCH. There is very little. I heard of one concern which brought 500 bags of Java, and they called it a six months' supply.

Mr. HUMPHREY. I have heard it stated that there was little Java and Mocha coffee in this country. I have been wondering whether

that was true or not. We have been buying it by the ton all these years, but I suppose it probably came from Brazil.

Mr. HITCH. Most of it.

Mr. HUMPHREY. I presumed that under our new pure-food law they would have to quit that.

Mr. HITCH. If you bring in any coffee from Java the buyers insist upon a consular affidavit that that is Java coffee from the Isle of Java.

Mr. HUMPHREY. I remember one of my dealers very nearly getting into jail for selling some coffee as Java coffee.

The CHAIRMAN. Do you approve of the practice of giving special rates?

Mr. HITCH. I think it is much better for the exporters generally to have the rates stationary, and it is much easier to do business if the rates are all the same. If you get a cheap rate one day your competitor will probably get a cheaper rate the next day. What we want are steady rates and steady sailings, sailings that we can depend upon.

The CHAIRMAN. And do you think that the conditions demand some sort of remedy?

Mr. HITCH. Yes, sir; I do.

The CHAIRMAN. Have you anything to state to the committee in that regard?

Mr. HITCH. I do not know how it can be settled unless the lines can be brought under some control through a commission in this country. If the lines coming here are opening their own offices, I should think that if they could be supervised the same as the railroads are, in the matter of rates, and so forth, there might be some improvement in the rates.

The CHAIRMAN. You think that rebates should be prohibited absolutely?

Mr. HITCH. Yes, sir; I do.

The CHAIRMAN. Without any discrimination between shippers; that is, that they should all be treated alike?

Mr. HITCH. I do not believe in discrimination. I think they should all be treated alike, although I do not think that the man who ships occasionally a few odds and ends should expect to get quite as good treatment or service as the man who ships an enormous quantity.

The CHAIRMAN. But should that be the subject of private, secret negotiations between the parties?

Mr. HITCH. No; I do not think so.

The CHAIRMAN. But should be provided for under proper Governmental regulation?

Mr. HITCH. Exactly. I think there should be a tariff that should not be deviated from.

The CHAIRMAN. In other words, they should publish their tariffs?

Mr. HITCH. Yes, sir.

The CHAIRMAN. And file them?

Mr. HITCH. Yes. I think a man that ships a very large quantity of cargo should have the same special arrangements that a man who ships a carload lot of freight on the railroad has. If you ship by

carload you get a special rate. If you ship one barrel of stuff you do not get the carload rate.

The CHAIRMAN. In other words, so far as the conditions make the law apply, you think the law to regulate traffic on the ocean should be much like that controlling the railroads?

Mr. HITCH. More or less; yes, sir.

The CHAIRMAN. In fact, under existing conditions this notion that the ocean is free is a fallacy?

Mr. HITCH. It is completely under control.

The CHAIRMAN. And the arrangements, pools, and combines are just as tight on the sea as on land?

Mr. HITCH. They could not be any tighter, I think, than they are at present on the sea. The only way you can get away from it is if you have enough cargo to charter steamers yourself, and that can only be done when the charter rates are low.

The CHAIRMAN. What relation does the tramp steamer bear to this situation? Do you get any relief from that source?

Mr. HITCH. Why, yes; at times. There is never a tramp steamer on the berth for South America at all. You can charter a tramp steamer yourself, and then sometimes you get relief.

The CHAIRMAN. Exporters of cement would ship in shiploads, would they not—carloads?

Mr. HITCH. There were a number of cargoes of cement shipped out in the last year to South America.

The CHAIRMAN. In tramp steamers?

Mr. HITCH. In tramp steamers, chartered steamers, a steamer that the shipper himself has chartered.

Mr. HUMPHREY. Are they compelled to return in ballast?

Mr. HITCH. No; I imagine they are only chartered for the voyage down. I know if I was chartering I should simply charter it for delivery at the River Plate.

Mr. HUMPHREY. There would be little probability at least of getting a cargo of coffee there?

Mr. HITCH. There would be no chance at all.

Mr. HUMPHREY. It is a fact that one-third or more of the vessels that travel from South America to this country come in ballast?

Mr. HITCH. I do not know how many.

Mr. HUMPHREY. I saw a statement of it. My recollection is that it is more than one-third. My recollection is that it is something more than one-half.

Mr. HITCH. Of the steamers that come from South America here, come in ballast?

Mr. HUMPHREY. Yes.

Mr. HITCH. I do not see how it can be that way.

Mr. HUMPHREY. Just because of the thing that you call the chartered steamer, which goes down with a cargo from here, for some reason, or comes from Europe with a cargo, and wants to come on up here, and this conference simply shuts down on that. The only thing is to come in ballast, is it not?

Mr. HITCH. Yes; but most of the steamers that come here from South America are steamers belonging to the conference or the Lloyd Brasileiro lines.

Mr. HUMPHREY. Those do not come back in ballast.

Mr. HITCH. The boats that go back out of there are boats that have been chartered for cement or lumber, or something of that sort, and they generally go back from the La Plata to England and come back on the triangle.

Mr. HUMPHREY. I was amazed to find out that over half of them that come to this country from South America come in ballast, outside of the conference lines.

Mr. HITCH. The rates at which you can charter a tramp steamer depend very largely upon the condition of freight from the Argentine to Europe. If there is a good freight for wheat from Argentina to Europe you can charter much cheaper from here to Brazil than if the rate of freight is lower.

Mr. HUMPHREY. And then you go the other way.

Mr. HITCH. They would redeliver to the owner, and he charts it to go to Europe.

TESTIMONY OF MR. JOHN C. SEAGER.

The witness was duly sworn by the chairman.

The CHAIRMAN. I wish to ask you a few questions, Mr. Seager, and I will ask you to be as brief as you can in reply. I will ask you now to give your relation to the steamship business, and how long you have been engaged in it.

Mr. SEAGER. I have been a member of the produce exchange for the last 45 years, and I have been in the steamship business, active, for fully 40 years. During that time I have run steamers, I think, in most directions. I have run them in the Liverpool conference for the New York Central Railroad and fought my way there. I also fought the Hamburg Line for the New York Central. I fought the North German Lloyd for the New York Central. I ran steamers myself on lines to Belfast, Rotterdam, Havre, and Marseille. And in 1892 the Prince Line, or Mr. Knott, came to me, and I took up the agency when they were in their infancy, and I ran them first in the Jamaica and Venezuela trade. Then we fought after the American line, the United States & Brazil Steamship Co. that you were referring to a short time ago. They stopped doing business about, I think it was, in 1895 or 1896—in that neighborhood—and I started the Prince Line in the River Plata trade when there were no syndicates or rebates, or anything of the kind. I also put the Prince Line in the Brazil trade. I put the Prince Line in the South and East African trade, and I also put the Prince Line in the China, Japan, and Philippine trade. After I completed that there was a suit started here against the South and East African trade, which has been footballed about. It has been up even before the court of appeals, but the court of appeals forced it down, and still it has not been tried. That was on account of the deferred rebates.

The CHAIRMAN. You mean a suit by the Government?

Mr. SEAGER. No; a suit started by the house of C. Thomsen & Co. It is a sort of "cause célèbre," as the Frenchman says, or something interesting, and there has been no decision on it yet. I think there may be a change in it when the unreasonableness is knocked out of the Sherman Act. Then I wanted to state this, that I was unfortunately brought before the United States District Attorney Burnett.

The CHAIRMAN. In the city of New York?

Mr. SEAGER. In the city of New York, and with the attorneys of the different companies who were present I was informed by the gentleman that unless the Prince Line discontinued that business I, as agent, would get into trouble, and that was the commencement of my trouble with the Prince Line.

Mr. HUMPHREY. When was that?

Mr. SEAGER. That was in 1902 or 1903, the commencement of it. Since then I found that I was not treated properly.

The CHAIRMAN. Right there, as I understand you, you were called before the grand jury in New York?

Mr. SEAGER. I was, sir, in 1911.

The CHAIRMAN. At the instance of the United States district attorney?

Mr. SEAGER. Yes, sir; about 1903.

The CHAIRMAN. He at the time was investigating conditions in the shipping trade?

Mr. SEAGER. In the shipping trade.

The CHAIRMAN. And the Prince Line, of which you were agent, was one of the parties charged with being in the combine?

Mr. SEAGER. I was not brought up before the grand jury. I was brought up before the United States district attorney, about 1903.

The CHAIRMAN. Before him?

Mr. SEAGER. I was brought up before the district attorney.

The CHAIRMAN. Was the Prince Line at that time engaged in a ring or pool or combine with other lines?

Mr. SEAGER. It was.

The CHAIRMAN. If so, what ones?

Mr. SEAGER. In the Brazil trade with the Sloman Line, which afterwards became the Sudamerikanische; and later the Hamburg-American and Sudamerikanische and the Lamport & Holt Lines—those were the three lines—and the Prince, the line you have been referring to here for the last two days—

The CHAIRMAN. The same ones that the statements and evidence here tend to show are still in that combine?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. How long had that combination existed?

Mr. SEAGER. In the Brazil trade?

The CHAIRMAN. Yes.

Mr. SEAGER. Since 1895 or 1896.

The CHAIRMAN. Now, state briefly to the committee the substance of the working agreement between those lines.

Mr. SEAGER. From the start?

The CHAIRMAN. No; not as it was modified from time to time, but generally what was the agreement?

Mr. SEAGER. It was a rebate business, a deferred rebate business, and pooling.

The CHAIRMAN. Pooling, to what extent?

Mr. SEAGER. Pooling of freight and pooling of the commissions of the agents.

Mr. HUMPHREY. Did you pool your earnings?

Mr. SEAGER. Yes, sir; we pooled the earnings. The owners obliged us to pool our earnings.

Mr. HUMPHREY. Did you have any agreement in regard to what action you would take toward competitors if any independent line came up?

Mr. SEAGER. Yes, sir; we occasionally got instructions to put on a fighting boat.

Mr. HUMPHREY. What do you mean by a fighting boat?

Mr. SEAGER. Some boat, a steamer placed on the berth to compete against another man who was opposing us and to take freight so low that we put him out of business.

Mr. HUMPHREY. Then suppose you sustained a loss, was that divided up between the different lines in proportion?

Mr. SEAGER. Yes, sir; the owners used to divide that among themselves according to the percentage they had in the pool.

Mr. HUMPHREY. Did you ever have a competitor so strong that you were not able to drive him out of business?

Mr. SEAGER. Not in Brazil until I gave up the Prince Line. I gave up the Prince Line myself and took up and started the Lloyd Brasileiro.

Mr. HUMPHREY. Then I understand you had an arrangement of rebates on rates, on earnings, on the number of ships?

Mr. SEAGER. Yes, sir.

Mr. HUMPHREY. And then you had an agreement as to what you would do in case your competitors would all join in attempting to destroy it?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. Did you have any understanding or agreement with the Norton Line that the conference lines would engage in the trade on the west coast of South America?

Mr. SEAGER. There were two Norton Lines—Thomas Norton & Sons were established in the Brazil trade; Norton & Son were the originators of the River Plata trade. Then it developed into a steamship line. You are confusing the two, gentlemen. It developed into a steamship line for Argentina between Norton and Bucknell, of London. Norton had in our syndicate at that time a privilege, if I remember correctly, of calling once a month at the coffee ports on his way back. I may say that in my time I do not think he took advantage of that more than once before he started, when he discharged his cargoes at Argentina, then loaded them for Brazil and Cuba back, and brought up jugged beef for Cuba. There is quite a large trade from Argentina to Cuba, Porto Rico, and all those West Indian islands. We used to bring that from Argentina up here and then reship it by the Ward Line. We preferred their taking those goods down to Cuba direct and so not interfere with our coffee trade.

Mr. HUMPHREY. All these conditions existed, as I understand, with regard to the lines between here and South America?

Mr. SEAGER. Yes.

The CHAIRMAN. Was there any arrangement between your lines and the Booth Line; and if so, what was it?

Mr. SEAGER. Yes, sir; there was a gentleman's agreement that from Pernambuco to the Amazon was supposed to be Booth's ground. The Lamport & Holt, the Prince, and the Hamburg-American had an arrangement that the coastwise trade between Pernambuco and south Brazil was their ground. Then, there was the ground from there

down in the Argentine. There were three different grounds. "You must not play in my yard, and I won't play in yours. If not, I will bring my family down and club you; that is all."

The CHAIRMAN. When did that first take shape?

Mr. SEAGER. That took shape when I first went into the trade, when I put the Prince Line into Brazil. That was Mr. Cook's arrangement.

The CHAIRMAN. That was how long ago?

Mr. SEAGER. That is now 15 or 16 years ago.

The CHAIRMAN. How long did it continue?

Mr. SEAGER. It continued up to the time I withdrew from the line. I threw up the agency.

The CHAIRMAN. That was in 1906?

Mr. SEAGER. 1906; June; that is about the time. Then I took up the Lloyd-Brazileiro the fall of that year, and, judging from the sailings, I think it must be continued.

The CHAIRMAN. How about Argentina?

Mr. SEAGER. Argentina? I think that is in vogue even now. It was up to the time I left the Lloyd-Brazileiro. Mr. Slechta was here yesterday, but he has only been here 10 months.

The CHAIRMAN. When did you leave the Lloyd-Brazileiro?

Mr. SEAGER. I left the Lloyd-Brazileiro in 1909—June. I left under peculiar conditions—

The CHAIRMAN. An effort was being made to get that line into the conference?

Mr. SEAGER. Yes, sir. I will tell you how that happened. When I started the Lloyd-Brazileiro the assurance was given me in writing that they would never join the syndicate lines without first getting my permission. Well, I shall have to begin back at the beginning of the Lloyd-Brazileiro. The Lloyd-Brazileiro came along, and I was asked to take charge of it—

Mr. HUMPHREY. I would like, if you will, to have you explain to us where that line came from and who was back of it.

Mr. SEAGER. The way I got that line was this—

The CHAIRMAN. He wants to say something about the history of the Lloyd-Brazileiro.

Mr. SEAGER. The Lloyd-Brazileiro I am talking about.

Mr. HUMPHREY. Whom it represents.

Mr. SEAGER. When I had it Buarque & Co. were the people who were managing it in Brazil, and Capt. Graça was a partner.

Mr. HUMPHREY. Did the Brazilian Government have anything to do with it?

Mr. SEAGER. It was given me that the Brazilian Government was at the back of it. Well, when I took hold of it I was told that they were going to have quite large boats and keep up a service. I found, after waiting several months, a little bit of a boat called the steamship *Goyaz*. She was all fitted for passenger trade and only had room for about 71,000 cubic feet. She was a large burner and an unsuitable boat. Then the next boat that came along was called the steamship *Sergipe*. She was almost a sister ship of the first one. When I saw those boats I complained. I said those boats would break the Bank of England running in that trade, especially with the contract they had with the Brazilian Government. Then their contract was to come here by way of Para. The result was that they had only room for coffee, and they would bring only about 10,000

bags, merely to ballast their ships. When I saw that state of affairs I said, "This thing won't do. If I have to face these other gentlemen, these formidable lions, I have got to do something by having the boats in the trade the first and second half the month to oblige the coffee trade and to oblige the merchants, because most of the orders that come from Europe or from other places read for shipment the first half or the second half."

So I was permitted to go into that trade and I chartered suitable boats that insured all right, and I chartered them on time charter. Then I got on my first boat. Knowing the syndicate rules, I told the captain to proceed to Santos for cargo, to Rio, to Bahia, and Pernambuco. I told the captain the steamer would likely return in ballast unless he could get some sugar at Pernambuco, but to show himself at the different ports.

The second boat came along and I thought I would begin to prepare some coffee for her. So I went to Mr. Crossman's office and I said, "Now, Mr. Crossman, you are paying 35 cents with a string to it and another string to that, and you need to be in this trade. I got the line through your influence. I offer to take two millions of bags at 20 cents a bag and give you what time you require to ship them, so you are not bound exactly to give any one boat any too much." "Well," he said, "do you really mean it?" I said, "I do."

Mr. Seilken happened to be in Hamburg and his partner cabled it over to him. I gave him several days refusal. The time came along, but there was nothing doing.

I complained to Mr. Crossman. I said to him, "Look here, I have the Lloyd-Brazileiro agency through your firm and the Brazilian people expect you to support them. Now, if you do not give them support and you dress yourself in my clothes, I shall have to go to the opposition." Mr. Crossman asked me a second time to give them the refusal. I gave them the refusal, and it was cabled. I gave them three or four days to reply. There came a reply, and there was nothing doing. I said, "Excuse me, Mr. Crossman, I am going to the opposition, and you can not blame me." He said, "I can not blame you." So I went into Arbuckle's office. He said, "You are a Seilken-Crossman man." I said, "No, sir; I am agent for the Lloyd-Brazileiro. Whatever I do with the other house dies with me unless it comes out in the open market." "Well," he said, "We shall have to think it over. Come back in a few days." I went back in a few days and I traded with them for 300,000 bags. Later I fixed another 50,000 weight. I kept the line running.

Now, my trouble was, what these gentlemen have all been complaining of, rebates and the tying up of the coffee shippers. I thought I would watch. I watched because their end of the year is the 1st of July. After the 1st of July I noticed the people who had the least amount of rebates due, and gradually worked my way into them. I got several people, and I was getting a fair share of the business with all those drawbacks.

Well, something came along, when I was getting some support there, and people were trying to ruin me overnight, but they did not do it. Mr. Graca was led to believe that they might be put in a syndicate—the Lloyd-Brazileiro—Mr. Graca sailed from Rio via England, and on the way up here by the Royal Mail, and he was led

to believe something of the kind, as I shall show you shortly. But, before he arrived here, fortunately for me, Mr. Farrell, president now of the Steel Trust, who was then president of the Products Export Co., when I was soliciting cargo from him, said, "Seager, your line is going into the conference. I just came from London, England." I said, "That is news to me; they won't do it as long as I am at the helm of that line." "Well," he said, "I got it from good authority. They were trying to see if they could do something with me, and you are possibly not going to be the agent, I understood." I said, "That is new to me." Two days after that, Capt. Graca makes his appearance. After about 48 hours, Mr. Boas, of the Hamburg-American Line, phoned me at the office. He said, "I understand Capt. Graca is here. Can I have an interview?" I said, "Name your hour." "Three o'clock—so it shall be, and I will be with you." So I stepped in and told Capt. Graca to be very careful in saying anything. I remember using the words "Hide behind the board of directors, and say anything of interest you would be glad to hear, and pass it over to your principals." So we went. As soon as I got there, Mr. Boas said, "Well, Capt. Graca, why this opposition? Why can not we fix up matters? Seager, I always got on pleasantly in the syndicate."

The CHAIRMAN. What is the name of the other party?

Mr. SEAGER. Gotheil is a member of it; Mr. Sloman, of the South American-Hamburg, they call it. "Why," he said, "if you will allow me, I will send a cable to Ballin, agent of the Hamburg Line, in Hamburg, who will communicate with London, and in 48 hours we will have a reply." Coming from the office, Capt. Graca said, "Seager, will we get that reply?" I said, "No. You will get a reply from the Prince Line and from the Hamburg-American, possibly, but as for the Lamport & Holt they will see you in h—l and two sticks." So it happened. Then, I said, "Have you ever read your contract between the Government and yourselves?" He said, "Why?" I said, "You could not enter the rebate business and join the syndicate lines and respect your Government contract with Brazil. You could not do that and keep your sailing dates." I said, "The people are deceiving you, and they can not allow you in their syndicate. They can not let you go. They can not offer you that, because there are three syndicates and they only belong to one." He said, "Will you give me an option in writing?" And I did. I have the letter here; I would like to produce it to show exactly the reasons I gave.

The CHAIRMAN. The substance of it was that you refused to consent that the Lloyd-Braziliero should go into the combination and yourself continue as agent?

Mr. SEAGER. Yes.

The CHAIRMAN. Why had you during this time, knowing the nature of the contracts existing between the members of these different lines, taken the advice of counsel as to whether or not those contracts were in violation of the Sherman antitrust law?

Mr. SEAGER. Sure.

The CHAIRMAN. From whom?

Mr. SEAGER. Dr. Lorenzo Ullo.

The CHAIRMAN. Who else?

Mr. SEAGER. There were the attorneys of the Prince Line, Converse & Kirlin, and also Mr. Burlingham's firm.

Mr. BURLINGHAM. Wing, Putnam & Burlingham was the name.

Mr. SEAGER. It used to be that firm; in fact, the gentlemen were present when I was up before the district attorney.

The CHAIRMAN. What advice did you receive, and from whom?

Mr. SEAGER. I received advice from Dr. Ullo.

The CHAIRMAN. To what effect?

Mr. SEAGER. And also from these gentlemen; that it was against the law to rebate; it was a restraint of trade, and that it was not legal.

The CHAIRMAN. Did you receive similar advice from anybody else that you have in mind that you have not mentioned?

Mr. SEAGER. No; those three. Oh, yes; wait a bit; I have forgotten. I went still further up, and I wrote to the other side and said, "Gentlemen, prepare bonds for me; I am a poor agent here; something has got to be done for us agents; we are going to get into trouble. I recommend that you engage the best attorneys in admiralty and get an opinion of somebody higher up." It was so done and the opinion of Mr. Root obtained.

The CHAIRMAN. Senator Root?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. To what effect?

Mr. SEAGER. To what, sir?

The CHAIRMAN. To what effect was his advice?

Mr. SEAGER. It was against the law.

Mr. HUMPHREY. Did he then occupy any official position? Was he practicing?

Mr. SEAGER. He was practicing. Then I still went further. I consulted Mr. Beck.

The CHAIRMAN. He was a practicing attorney?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. And to what effect was his advice?

Mr. SEAGER. It was ditto, the rebates were illegal, and that we could not hold the people who got the rebates, because it was a sort of restraint of trade. When I got that, I assure you I felt anything but comfortable, and that was the real reason I left the Prince Line, and finding they were not treating me right in their syndicate I first started by claiming equal treatment with the other agents, which was refused; also arbitration, private or before Produce Exchange refused. I then threw up the Prince Line agency.

The CHAIRMAN. Now, you informed your principals of the advice, and they knew and had the advice of counsel that their practices were contrary to law?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. That was the condition when you left their employ?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. And can you state to the committee whether or not those conditions have continued since then, if you know?

Mr. SEAGER. Well—the able counsellors naturally will teach you how to steer clear of rocks, but judging by their *modus operandi*—

The CHAIRMAN. In other words, do you notice any difference in their methods now than then?

Mr. SEAGER. Not much.

Mr. HUMPHREY. Did this line go into the conference? That is what I am interested in.

Mr. SEAGER. Well, sir, I would like to give you my reasons. Here, gentlemen, is a letter that I will pass in as evidence.

The CHAIRMAN. I have read that letter, and he sets forth in a very able manner from many viewpoints why that line could not go into the conference, and I understand it did not.

The letter is as follows:

EXHIBIT 29.

APRIL 1, 1909.

DEAR CAPT. GRACA: After the conversations you and I had with Mr. Emil Boas, of the Hamburg-American Line, and the subsequent conversations I had with you regarding the proposition now being aired, that the Lloyd Brasileiro should join the so-called "Brazilian syndicate," although I have already thrashed out the whole question in all its details verbally, I still consider it will not be amiss to condense in this letter the various points which constitute the essence of my objections against such combination.

1. *The general question.*—The question might, in fact, be traced as far back as September–October, 1906, at the very starting of the American service of Lloyd Brasileiro, when the opposition, fearing the importance that Lloyd Brasileiro would acquire in the trade, being an independent line backed by the Federal Government, began making overtures of the same kind as those being now made, so much so that Mr. Hargreaves, sailing from London in October, 1906, for Rio de Janeiro, was carrying a specific proposal to Lloyd on the subject. After a great deal of writing and cabling on our part, showing our reasons for opposing the combination, Lloyd Brasileiro selected the right path, and, asserting itself as a national and absolutely independent line, requested us by cable to make formal announcement to the trade that it would have nothing to do with the syndicate. Besides, in a cablegram dated October 23, 1906, Lloyd Brasileiro informed me that if at any time they would again consider the idea of joining the syndicate they would first advise and consult with me.

It is just on the strength of the action Lloyd Brasileiro has developed since then, coupled with the contents of the cablegrams as above mentioned, that I feel myself entitled to oppose this combination now as strongly as I opposed it nearly three years ago, inasmuch as the reasons of my opposition are not only unchanged but have grown to be much more powerful now than they were at that time.

When I say "opposing" or "protesting" against Lloyd Brasileiro joining the Brazilian syndicate, please understand, dear Capt. Graca, that I do not for one minute pretend to place my position as an agent above or even as high as that of my principals; I simply mean to say that, inasmuch as you certainly expect that I should use my long experience to light the darkest corners of the proposed combination, I must live up to such expectation, and I would place myself in a very awkward position if, by adopting a new policy, you should later on find yourselves much worse off than you could ever suspect and then reproach me for not pointing out to you all the dangers of the new path. Whatever you will do as principals, I, as your agent, must naturally stand by, but I do not want to let the opportunity escape of putting myself on record against any mishap in the future.

I will therefore proceed to declare, one by one, my objections:

2. *The steamers.*—Lloyd Brasileiro has not put in line yet the fast boats which are supposed to become in due time the backbone of the American service. The only tonnage you now have which can be compared to steamers belonging to Prince Line or Hamburg American are the two *Ras* steamers, while *Acre* can hardly be matched against Lamport & Holt's passenger steamers, and *Goyaz* and *Sergipe* practically cut no figure at all. My statement referring to these two steamers must not be entirely new to you, as I pointed out such inconvenience to Dr. Buarque since you dispatched the *Gonyaz* in August, 1906. Therefore what importance are you going to assume with and what share do you expect to get from the syndicate since you have only two cargo steamers now to show and will be in such condition for some time to come? Once the agreement is made, how are you going to squeeze in for regular sailings the steamers which you expect to put in line in due course? And even granting for the sake of the argument that you can reserve room for your new steamers

and the third *Ras*, what sailing schedule can you now offer or ask since you are still in the dark as regards the time when you will be able to put the future tonnage in line? Certainly, without a fixed schedule and tonnage since the beginning, you hardly can expect to have any weight in the framing of any combination.

3. *Sailing schedule.*—I must and will go further: Again granting for the sake of the argument that you should be able to secure a sailing schedule since the beginning of the new combination and squeeze in all your tonnage by and by, how do you expect to keep it running according to the plans of the new syndicate? It is evident that as you are a national line, disposing of a limited amount of tonnage all tied up in one single service, the requirements of the Government and the different ports, based on the subsidy agreement, will divert some of your tonnage from time to time, as it already happened, to other purposes than those contemplated in your agreement with the syndicate, which will inevitably drag you to clash against the other lines of the same syndicate. This fact, coupled with the still dominating irregularity of your service at Brazil ports, will often prevent your tonnage from being in New York or at Brazil coffee ports in accordance with the schedule. Your turn will then be taken by another steamer of another line, and your boat will be kept waiting her new turn, also disarranging the schedule for your own subsequent steamers for several turns. Just imagine any of your steamers, especially if she is a passenger one, being compelled to leave New York empty, or to be kept in the port of New York for weeks and weeks awaiting her turn, and then please figure out how much it will cost.

4. *Dull times.*—There are also dull times to reckon with. While we now practically fill nearly all of your steamers and secure dispatches first and second half each month on the south line, besides a monthly steamer for northern ports, leaving in some instances the opposition to dispatch their steamers nearly empty (as happened already last year), if you should join the syndicate, then the scarcity of cargo would be equally divided amongst and equally felt by all lines, and each line would be compelled to withdraw some of its tonnage waiting better times. While this would not cause a great inconvenience to other lines, as they can employ the surplus tonnage in other services temporarily, you would have to keep such steamers as *Ras* or even *Sao Paulo* and *Rio de Janeiro* idle for an indeterminate period, as you have no other service available for such class of steamers. To give you an example: When any steamer of the Prince Line or Hamburg American, etc., reaches New York and finds that sailings have been curtailed owing to lack of trade, such boat will some way or the other find employment for River Plate, South Africa, or even China and Japan, in which syndicates these lines are still working; they might even run to Europe if necessary; but in what service are you going to employ *Ras* steamers and your passenger boats once they are shut out from the Brazil trade?

5. *Booth Line and northern ports.*—It is also evident that both *Sergipe* and *Goyaz* and presumably *Acre* will not be employed in the south trade, as you must by your own agreement with the Brazilian Government give a New York service to the northern ports of Brazil. Merchants here as well as the general coffee trade in Brazil will not ship to and from south ports by steamers which call also at northern ports on a coastwise service, as I repeatedly pointed out to the managers of Lloyd Brasileiro since the starting of their American line, and therefore the only part of the New York trade those three steamers can carry is for North Brazil. But there is an agreement between the present syndicate and the Booth Line, by which Booth will not interfere in the South Brazil trade, provided the syndicate does not interfere in the north, and you have certainly observed how this agreement has worked without one single exception since many years. Now, if you should enter the syndicate, this must happen: Either you must absolutely leave the northern ports, including Manaus, to the Booth Line, refusing to those ports the service to which they are entitled by your agreement with your Government; or the Booth Line, owing to breach of agreement on part of the syndicate by allowing one of its members to trade in the north, will on its part encroach upon the field of the syndicate in the south, waging against the newly combined lines that same war which you have carried on for nearly three years against the same syndicate.

6. *River Plate Syndicate.*—The same line of arguments can be applied to the River Plate Syndicate. In fact, the lines forming the present Brazilian syndicate are more or less directly allied with the River Plate lines. Your steamers go to River Plate and up the Parana and Paraguay Rivers as far up as the

fluvial ports of Matto Grosso; and the Brazilian Syndicate by taking you into its bosom will enter into a protective agreement with the enemy of its friends interested in the River Plate trade as much as themselves. This will soon cause a reprisal on the part of some of the River Plate lines into the very field of the Brazilian Syndicate, and the war you now presume to avert by giving yourselves up, hands tied and all, to the Brazilian Syndicate, will soon break out in a way most detrimental both to your New York line and your Argentine service.

7. *The merchants.*—After all I have said, suppose you still want to take all chances in your hand and let yourselves be lured into new pastures by the most suave and friendly appeals from those wolves now coated as lambs which are the lines now constituting the syndicate. Then please peep into the future: Syndicates come and syndicates go, but the trade remains, and Lloyd Brasileiro, too, intends to remain. It might happen that the syndicate will dissolve itself sooner or later, either through the changed conditions of the trade, or through the fight with any other line which might spring up ready to take your present place, or when any of the confederate lines will find better reward in other trades and withdraw its tonnage, without any vote of thanks to Lloyd Brasileiro, which will then be left in the lurch to fight alone for its own salvation. It might also happen that in the end you will be successful enough to withdraw from the syndicate and live again an independent life. Whatever the cause might be, once the bonds are dissolved which keep the merchants tied to the syndicate, the struggle to secure the trade will begin anew. But all merchants, both those who have their heart on the side of their pocket and those who have been for Lloyd Brasileiro since the starting out of pure sentiment in favor of this courageous line, all will have lost their faith in Lloyd Brasileiro and will not give you their support for the second time. They will say that all their previous fight and work and support and influence were used by Lloyd Brasileiro for the purpose of cutting a place for itself in the trade and then forcing itself into the syndicate as long as it could last; they will not again be the joker in the game; they will be dissatisfied, disappointed, disgusted with Lloyd Brasileiro. By not keeping your promise of running a proper and independent line, from which sprung all the support of the trade, you will find yourselves later on to have forfeited the position acquired after years of struggle and sacrifices. No sympathy and no support will be your reward in the end.

8. *The Brazilian Government.*—I have reserved this item as the last, for, aside from the conditions of the trade, it reflects entirely upon the character of Lloyd Brasileiro as a national and Government enterprise. I have already pointed out to you the conflict in which you would find yourselves with your own Government regarding the service for northern ports and need not to insist further. By giving yourselves up to the Brazil syndicate you are going to destroy the best characteristic and distinct feature of your enterprise; you are practically giving up your privileges for the benefit of the foreigners; you are putting the foreign lines on the same footing in Brazil as the one you have secured with such hard fight in the trade in the United States, in Brazil, in and out of politics, with your enemies in your own country; and the foreign lines have not even the excuse of being able to offer you a "reciprocal treatment" in their own country. You practically surrender your privilege along the coast from Manaus and Para to River Plate, as far as the United States trade is concerned, to a bunch of foreigners preying upon the resources of your own country for too many years already. And, then, look out for your enemies in Brazil; if they dared so much already against you in and out of Parliament, what will they not do when you join foreigners in their work of exploitation?

I must say more: The syndicate will tie Lloyd Brasileiro down to and make Lloyd Brasileiro part of an iniquitous system of restriction of trade, pooling and rebates, which is a shame to any honest enterprise, a thorn in the side of any honest trade, a cause of deep grievance to any honest merchant, a crime against law. It is forbidden by the laws of the United States of America, and I understand is going to be the object of prohibitive legislation by the Government of Brazil very soon. Therefore, Lloyd Brasileiro, a national enterprise supported by the Brazilian Government and enjoying the good will of the Government of the United States, will find itself guilty of crime in the eye of the law of both countries. You will find yourselves in a clash against your own Government. It is true that all which pertains to rebates, etc., will be arranged and systematized in Hamburg, or in some other city beyond the influence of both the United States and the Brazilian law; but even in such case I can not

for one moment imagine that a stern and serious Government such as the Government of Brazil should issue a legislation against an iniquitous system and then wink its eye at its own enterprise when it evades the will of the people, allowing its own laws to become by an open trickery an object of contempt and derision.

9. *Conclusion.*—I believe I have said enough to condense the whole question and as far as it is in my power to turn the light on. I certainly expect that your own enemies, the syndicate, will leave no stone unturned to drag you into their combination. A lot of friendly and seemingly fair talk will not be wanting on their side in order to catch you as in a net, from which it will be very expensive for you to extricate yourselves later on. As the poet says, "Beware of the Greeks, even if they bear you gifts," and do not forget that it will be against your own vital interest to join the Brazil syndicate just now for the following reasons:

1. Because the same objections which you might have had against it in October, 1906, are still in force and even stronger;
2. Because at present you have no steamers;
3. Because at present you can not formulate a sailing schedule of your own and in accordance with your future tonnage;
4. Because you have no other service to fall upon in dull times;
5. Because the Booth Line has an agreement with the syndicate for the exclusive trade of northern ports;
6. Because you would find your trade hampered by the River Plate lines;
7. Because you will forfeit your future with merchants;
8. Because you will work against the laws of your own country;
9. Because the syndicate lines will let you alone to fight your own battles once they have no more interest in the Brazil trade.

The only way you can keep your American line running and make a real success of it is to keep it free and independent and to compel the foreigners, as far as you are concerned, to keep their hands off what by right belongs to the Brazilians. I do not consider it necessary to go again into further particulars just now as to the policy to be followed, as I have repeatedly expounded it to you and your principals verbally, by letter, and by cable since the very starting of the line. I have now traced out the path for you, and whatever you will do I am sure I have done all in my power to throw a full light on all details.

Yours, very sincerely,

JOHN C. SEAGER.

Mr. HUMPHREY. That is what I wanted.

The CHAIRMAN. He stood out against it and lost his job.

Mr. HUMPHREY. That is what I wanted.

Mr. SEAGER. They have had three agents of the Lloyd-Brazilero since I left—a Mr. West—

The CHAIRMAN. Never mind; we are not interested in that feature of it.

Mr. SEAGER. Mr. West, who superseded me, and after Mr. West superseded me Capt. Graca took the agency and got two of my freight clerks, and has them yet, and he had the balance until about 8 or 10 months ago, when Mr. Slechta came out—so there have been three agents there in three years.

The CHAIRMAN. You have given us briefly the history of combinations in the South American trade?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. Now give us briefly those other combinations—a history of combinations in the South African trade—emphasizing the beginning and the circumstances.

Mr. SEAGER. I fought for the Prince Line in the East African trade, one of the hardest syndicates going, which was controlled in London and Germany. When I started it Mr. Houston agreed to join us, and for a year we jointly fought them to carry goods for \$2.50 a ton to South and East Africa. After the first year they fought us—the ring thought they had to put Mr. Houston in the fore and take him

away from the Prince Line, and by so doing "bust" us, but we kept at the work another year, and then my owner joined their syndicate—Mr. James Knott.

Mr. HUMPHREY. Who was the owner of the Prince Line at that time?

Mr. SEAGER. The manager was James Knott.

Mr. HUMPHREY. Where did he live?

Mr. SEAGER. Newcastle-on-Tyne, England. Then, after I left the Prince Line, and my troubles commenced, they even attacked me through newspapers, and I attacked them back again, and I have a copy of the letter that was published in a paper from here against those gentlemen, explaining my position. If you would like to have it in evidence, you can have it.

The CHAIRMAN. What is the nature of that agreement in the South African trade?

Mr. SEAGER. The same—a very strong rebate system. You have it all in the courts here explaining it.

The CHAIRMAN. How late, to your knowledge, has that condition continued and that agreement remained in force?

Mr. SEAGER. That same agreement, when I left in June, 1906, may have been modified somewhat. I can not tell.

The CHAIRMAN. Since then?

Mr. SEAGER. Since then.

The CHAIRMAN. But in 1906 it was in effect?

Mr. SEAGER. In June, 1906.

The CHAIRMAN. The same as the Brazilian agreement?

Mr. SEAGER. Yes.

The CHAIRMAN. Give briefly the history of the combinations as regards the Orient.

Mr. SEAGER. The Orient started—

The CHAIRMAN. And what lines are in that?

Mr. SEAGER. Well, there was the Prince Line, which was the last one in my time. There was the Hansa Steamship Co.; there was a Liverpool Line. I am just trying to think of the title of these, but I do not remember exactly the title of them just now. I know the names of the steamers, but I do not know the—I can not remember just now exactly who the parties are, but I can furnish it.

The CHAIRMAN. Yes.

Mr. HUMPHREY. Where did these lines run from?

Mr. SEAGER. Run from here.

Mr. HUMPHREY. You mean New York?

Mr. SEAGER. From New York through the Suez Canal to China, Japan, and to the Philippines, distributing by a certain tariff, and also by certain arrangements, shortening the trips as much as possible. If a boat would fill up for the Philippines and only go that far, or if it could fill up to China ports and go there, and others to Japan—whatever the cargo offered, and distributed among those ports.

Mr. HUMPHREY. Are those lines in agreement?

Mr. SEAGER. Yes, sir.

Mr. HUMPHREY. Like the Brazilian and South African?

Mr. SEAGER. Yes, sir; except the rebate system—I can not answer that, because those things—they began to work them on the other side so as not to land on rocks here.

Mr. HUMPHREY. That is, they adopted the policy of entering into those agreements on the other side?

Mr. SEAGER. That was when I gave up the Prince Line, my attorney of the Prince Line asked me to give up what papers I had, and I gave up the papers, which were all sent off to Europe, and those few I retained were by accident. I mention it, because the grand-jury district attorney, Mr. Knapp, asked me if I had any, and I said I had not. But the way I came in contact with some others was that when I had to sell my safe—I did not know the combination of my own safe, and my treasurer died, and in opening the safe found a tin box with a few of these papers in.

Mr. HUMPHREY. Before you leave this line, at the time you were running there, in 1906—

Mr. SEAGER. Yes.

Mr. HUMPHREY (continuing). Or some few years prior to that time, there were American vessels running from the Pacific coast to the Philippines, were they not?

Mr. SEAGER. There always have been.

Mr. HUMPHREY. At that time and afterwards I have heard it charged that the vessels in the conference line that run by the way of the Suez Canal back to New York and other foreign lines made efforts to drive the American vessels out of the Philippine trade by lowering freights at the time there was an American vessel there to load. Was there anything of that kind that you know of—any efforts made by the lines to drive out those American vessels?

Mr. SEAGER. No, sir; it was not an effort—it was this: It was an agreement to regulate the rates via Suez, via the Pacific to these places; they came to an agreement with the Pacific carriers.

Mr. HUMPHREY. They came to an agreement with the Pacific carriers?

Mr. SEAGER. Yes; to regulate our rate.

The CHAIRMAN. Now, the agreement that you have mentioned with reference to Brazil, South Africa, and the Orient, did they at the time you left the service of the Prince Line exist as to the region?

Mr. SEAGER. Yes, sir; River Plate was the first trade I put the Prince Line into. I first cut into the River Plate; then I had a little harder tussel for Brazil, and then when I succeeded I had Mr. Scott, of the Manchester Canal, then visiting in New York, who was our president, and largest stockholder of the Prince Line outside of Mr. Knott, and I proposed to him that we should go to "pastures new," and we went to South Africa, and then I was going to put somebody else into China and Japan, and had somebody I was trying to put in there, and the Prince Line said, "You will not put others in there; as I give you so much business, I want you to reserve the *China* and *Japan* for me." And that is how I did, and they have been working on the same agreements as far as docking is concerned and as far as the stipulations I made at the time.

Mr. HUMPHREY. I should like to ask a question or two before you close. You said awhile ago that Mr. James Knott, as I understood, who lives in England, was chief owner and had the main control of the Prince Line. Now, who controlled these other lines that were in this South American conference?

Mr. SEAGER. The South American conference?

Mr. HUMPHREY. Yes; where was the main control?

Mr. SEAGER. The Hamburg-American.

Mr. HUMPHREY. For instance.

Mr. SEAGER. The Hamburg-American is controlled in Hamburg. It was first the Sloman Line. When Sloman sold to the Sudamerikanische, and then the Sudamerikanische made arrangements and divided the trade with the Hamburg-American.

Mr. HUMPHREY. Then the chief control was in Germany, in Herr Ballin?

Mr. SEAGER. He used to be passenger agent of the Carr Line in Hamburg, which I represented.

Mr. HUMPHREY. What was the third line?

Mr. SEAGER. The Prince Line, the Hamburg-American, and the Lamport & Holt.

Mr. HUMPHREY. Where was the chief power of Lamport & Holt, who was the power there?

Mr. SEAGER. Arthur Cook.

Mr. HUMPHREY. Where was he?

Mr. SEAGER. In London, they have their secretary's office there.

Mr. HUMPHREY. So American interests do not dominate any of these lines.

Mr. SEAGER. No, sir.

Mr. HUMPHREY. They furnished the trade and the other fellow prescribed the rule on which they took it?

Mr. SEAGER. Yes; and the agent got himself placed in a false position.

Mr. HARDY. Do the German and the English interests seem to syndicate and harmonize together without much patriotic differences?

Mr. SEAGER. At first there was a little friction. Every now and then one wanted to dominate over the other, but as there were two English, as against one German, the Lamport & Holt, having a larger portion of the syndicate ruling unless I sided with the Hamburg and kept Lamport & Holt in place they were always ahead.

Mr. HARDY. Just one point about that. Is it not a fact that these great syndicates are controlled by their pecuniary interests and not by any patriotic motive?

Mr. SEAGER. There is no patriotic motive about it. It is a question of dollars and cents.

Mr. HARDY. Absolutely, it is not?

Mr. SEAGER. Yes, sir.

Mr. HARDY. And if the trade then would vary to give the big end of it to America they would be given it then, whether they were English, German, or American, would they not?

Mr. SEAGER. I beg your pardon.

Mr. HARDY. If it was a profitable thing to give the long end to the American trade, they would do it just as quick as the other?

Mr. SEAGER. If it was profitable.

Mr. HARDY. If it was profitable to the shipping combine to favor America, they would favor America, would they not?

Mr. SEAGER. If it was to their pecuniary interest?

Mr. HARDY. Have you ever found any indication of patriotic or any other interest dominating these combinations except the interest of dollars and cents?

Mr. SEAGER. I beg your pardon, there is a good deal of sentiment.

Mr. HARDY. But does it control the operation?

Mr. SEAGER. It has to give way.

Mr. HARDY. It has to go back and take a back seat, does it not?

Mr. SEAGER. When the dollars are there.

Mr. HARDY. Do you understand this triangle that Mr. Slechta spoke of? I know you do.

Mr. SEAGER. Yes.

Mr. HARDY. What is the route of trade, the natural route, as you understand it to be?

Mr. SEAGER. The natural route of those trades, as the other gentleman stated, I think Mr. Lowry, the steamers come in ballast, actually in ballast for us from England here, if they can not get cargo, and they generally can not get cargo, but to make better weather they take plenty of coal for their round voyages, as much as possible as can be well stowed without being rehandled in New York.

Mr. HARDY. They take coal from England here?

Mr. SEAGER. They take coal from England to New York. From New York then they are loaded for the different parts of the world, either to Brazil, La Plata, or to China, Japan, the Philippines, etc. The trade that pays is the American trade. I do not agree with the statement that they make better freights from the other side out. I do not agree with that, except occasionally. I have been hearing of this cement business. The cement business originated from Portland cement, from Portland, England. Then came along Antwerp and other places. They had facilities of shipping by sailing vessels always—sailing vessels taking low rates. It is a cheap article and rates have got a great deal to do with it, so after a time when the syndicate lines knocked out the sailing vessels and they found they required cargo, so they gradually came to take a certain quantity to offset even a tramp being put on, and when the orders used to come here in my time the limits were so low they could not afford to very well take it aboard; that is, comparatively speaking, with other goods. A shipowner says, "I have got so many cubic feet and so much weight to carry. I want to take as many tons as I possibly can, weight and measurement."

The knowledge of shipping is not acquired by books. It is a knowledge of experts as to how to load a ship outside of the stevedore, who does that business, to figure out how to get hold of the right class of boats, where there is plenty of cubic space, and still be able to carry weight; and as to the trade, this last six or eight months it is really phenomenal—something out of the common to see the trade advance as it has done. For instance, when I was chartering for the Lloyd Brasileiro I was paying 3 shillings, and to-day, on the Government form of charter, they have to pay in instances as high as 7 shillings per ton. So you can see the advance; but whether that will be held is another thing. There is this, I hear from different agents that will be held is another thing. There is this, I hear from different agents and on 'change, that the volume of business has increased wonderfully. Whether the rates will be kept up to these famine figures or not I do not know, but I believe they can be; but, nevertheless, the trade from this country is developing largely. I have been watching it, because I have been in touch with a good many manufacturers. I have

heard Mr. Sulzer make his speeches, and Mr. Redfield make his speeches, and I have also been watching the trade very closely, and I really do not see why steamers can not shortly be run with a little Government assistance. Now, I know what you are going to say to me: you are going to say "subsidies." The idea of subsidies does not go in the West, but in the East everybody wants one. But the poor fellow that raises wheat out West, says, "I am a mother's son, like everybody else." He says, "Where is my protection? You protect me nicely with harvesters. You make them out in Illinois and you sell them to all my competitors at 25 per cent less. You sell them to Argentina and to Russia and in Australia and South Africa at 25 per cent less. Yes; that is the way you help me nicely. What else do you do? You help me also in binder twine, which is made in Illinois, and I have to pay out in Illinois 25 or 30 per cent more for this binder twine than it sells down to other countries." So he says, "Well, I want the cheapest carrier." At the same time the manufacturing interests in this country have developed so greatly that trade is being kept back just for want of a little support. You have helped it, first of all, by allowing ships to be bought in the cheapest market. I was the gentleman that, 30 years ago, issued a circular right through the Democratic House to show the Americans how to own ships under the other flags, and it could not be done until my friend Leyland, in my own office in London, got it through the House of Commons that every steamer could be a limited liability company. You may term these antediluvian questions, and say, "Why is that done?" For the simple reason that the laws here and the laws abroad are different. Here we are a common carrier, to begin with. In England they are trying to make out that we are a fancy carrier, something of a high-cockalorum business. The next thing, Leyland said, "I have got my Leyland Line steamers coming out of the Mersey." I brought the Leyland Line across the ocean. I was agent for the Leyland line when I was 21 years of age. "I am afraid that in coming out of the Mersey I may run afoul of one of MacKeeber's boats, and, dear me, they may attach four of mine for damages I might have done to one of their steamers." In America, if a canal boat runs into you and knocks out a steamer, all you can attach is the canal boat, and for that reason this law was changed, and Leyland and his 20 or 30 steamers came out with every steamer a separate liability company. Then I said, "Gentlemen, this is the time for you gentlemen in America to invest a little bit in those limited liability companies and learn to run steamers." I started the first paper of any note, the Shipping Illustrated, and we have been trying to educate the people how to run ships. The fact is, gentlemen, that with a certain amount of support, and not a very great deal, but by enforcing your laws—what is the use of having your laws if you do not enforce them? You scare us, and the fellows who got scared are out of business.

Mr. HARDY. We have not scared them much, have we?

Mr. SEAGER. They have not yet, but financially they have. They have persecuted and boycotted me, and that is why I am here.

The CHAIRMAN. It is now a quarter past 4, and if there is no objection we will adjourn until to-morrow morning at 10.30 o'clock.

THURSDAY, JANUARY 9, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Mr. Hardy, Mr. Collier, Mr. Ayres, Mr. Burke, Mr. Stone, Mr. Faison, and Mr. Humphrey.

TESTIMONY OF MR. LORENZO DANIELS, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Daniels, give the committee your name, address, and the business in which you are engaged.

Mr. DANIELS. My name is Lorenzo Daniels, 301 Produce Exchange. Our business is that of general merchants.

The CHAIRMAN. What shipping lines or companies do you represent?

Mr. DANIELS. We have had several agencies, but the only active one at the moment is the Lamport & Holt Line.

The CHAIRMAN. State what others you have had.

Mr. DANIELS. We represented the Harrison Line in New York; the Holt Line, Liverpool—

The CHAIRMAN. Do you mean the Lamport & Holt Line?

Mr. DANIELS. No; the Holt Line is an eastern line. I think that would cover them.

The CHAIRMAN. But you are active agents now of the Lamport & Holt Line?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. In what trade are they engaged?

Mr. DANIELS. Their trade is principally the South American trade, and they have a line from New York to Manchester, England, on the north Atlantic.

Mr. HARDY. Lamport & Holt have a line from where?

Mr. DANIELS. From New York to Manchester, England.

The CHAIRMAN. The Lamport & Holt Line operates in the Brazilian trade?

Mr. DANIELS. The Brazilian trade.

The CHAIRMAN. And what other trades in South America?

Mr. DANIELS. We circle South America up as far as Ecuador on the west coast. That is, the line does from England, not from New York.

The CHAIRMAN. Is the Lamport & Holt Line, of which you say you are agents, a party to an agreement or agreements or any understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States, or with reference to any—well, answer that question first.

Mr. DANIELS. I presume we have some.

The CHAIRMAN. That will just call for an answer "yes" or "no."

Mr. DANIELS. We have some; yes.

The CHAIRMAN. Does that agreement relate to the division of traffic or territorial division of routes? We are speaking now of the trade between the United States and Brazil.

Mr. DANIELS. Speaking of the trade between the United States and Brazil, Mr. Chairman, if you will give me the opportunity I shall be glad to submit a little outline of its present status. We

recognize in New York and in our trade the importance of your committee in the present work, and our own interests are very much identified with you. If we are at all at fault, or adverse statements as represented are at all proven against us, it is very injurious. On the other hand, if we are comparatively of good record we want to stand clear before the public, as our business is very materially affected by the public reports. I have here the status of the Brazil business, if you will allow me to give it.

The CHAIRMAN. As I understand, you prefer to make a preliminary statement, which may cover the inquiries we may desire to make, and if that is your wish you may do so.

Mr. DANIELS. If you will permit me to put it before you, I will be glad to take it up in detail later, if there is no objection on the part of the committee.

The CHAIRMAN. There is no objection on the part of the committee.

Mr. DANIELS. The history of the joint workings of the Brazil lines, dating back a number of years, is similar to that of other steamships and transportation lines during the same period.

The CHAIRMAN. Right there, state what lines you refer to in that statement.

Mr. DANIELS. Of the Brazil lines.

The CHAIRMAN. The Lamport & Holt Line?

Mr. DANIELS. The Lamport & Holt Line, in connection with any other lines that may be operating.

Mr. HUMPHREY. What are those lines with which you have been operating, or had been operating, before the conference?

Mr. DANIELS. We have been operating during this period with the Prince Line, the Sloman Line, which sold out, the Union Line, which sold out, the Hamburg-American, and the Hamburg-South American. I think that covers all.

The CHAIRMAN. Proceed. We just wanted to know what lines you referred to.

Mr. DANIELS. We have had in the past traffic and rate agreements, pools, and published and printed rebates to shippers.

Early in the nineteen hundreds, when the matter was first brought before the courts under the Sherman law, the writer, then on a visit to Europe, was instructed by Messrs. Lamport & Holt to secure the best legal opinion in this country as to how our business should be organized to conform to the United States legal requirements. This resulted in the early part of 1905—the lawyers of the other lines joining us—in our submitting our method of doing business at that time to one of the most eminent legal authorities. This lawyer advised us to discontinue any special rebates, but said that the lines could form a new agreement providing for just what we were doing then, excluding discriminations and limiting the parties to reasonable rates. Having thus obtained the best opinion available in this country, we conformed our agreements in accordance with his opinion.

In 1907, owing to the change of ownership of one of the lines, etc., all agreements were abrogated, and we started in for a merry little rate war, all concerned losing considerable money. In February, 1908, the principals came together in London and signed a peace treaty, coming again to an arrangement much on similar lines to what had been in force previous to 1907. A few months later a pool

ing agreement was signed in London, which was terminated by formal notice June 30, 1909.

According to my understanding, there is now no written agreement or formal understanding between the three so-called conference lines from New York to Brazil, namely, the Lamport & Holt Line, Prince Line, and Hamburg-South American Steamship Co.—Hamburg-American Line's joint service. These lines, however, continue to act in conference, maintaining for joint account a secretary's office in London and a secretary's office in New York, these two offices being used chiefly for economy in passing cables and for keeping records and other information; in New York passing the information received on to the offices of the three lines and in turn collecting information that is to go forward to London for presumably similar purposes abroad. The representatives of the lines meet weekly in the conference office to file reports of steamers loading, position of cargo, contracts, etc. The lines work in accord in the matter of scheduling steamers to meet the requirements of the trade and contract obligations that have been assumed.

The basis of rates is sent from London to New York. Our present tariff is made up under instructions from London, to conform to the English, German, and other continental tariffs for similar classes of goods; in other words, we charge the same rates to American shippers as are paid by shippers from Europe. On American staples we agree on the rates in New York, taking the base value per cubic foot or ton 2,240 pounds, given us by our European offices.

In the matter of freight contracts, each line trades for its own boats that may be loading and for boats scheduled for a period of three months ahead. Contracts beyond three months are generally made for joint account, each line assuming a one-third liability; contracts for large amounts of staples are also made jointly, each line assuming a one-third responsibility.

Prior to September, 1911, for a period of from five to eight years, the lines in the Brazil trade failed to make any return on the investment, as is shown by the reports of those lines which are corporations, to their stockholders, and the reports under the corporation tax law. Since the fall of 1911, the value of tonnage the world over has had a phenomenal increase. At present it is nearly 100 per cent higher than in August-September, 1911. Meantime, our rates to shippers, although they have been advanced, have not advanced in anywhere near so large a proportion. If we are obliged to go into the open market to-day and charter the most ordinary and cheapest type of steamer to fill a sailing that our own tonnage may be unable to take, we invariably face a loss on the transaction; in other words, our freight rates are below the value of the market tonnage, and if a shipper was obliged to furnish his own steamer he would suffer a corresponding loss instead of ourselves. It is therefore clear that it has been impossible in any part of the period I speak of—first when we were running under continual losses—and second, while we have been running below the charter market, to charge exorbitant or unreasonable rates.

The following lines are in the River Plate trade between New York and the River Plate: Lamport & Holt Line; Prince Line (Ltd.), Barber Line, Houston Line, American Rio Plata Line, Norton Line.

Of these lines the Barber, Norton, and American Rio Plata, are represented by their home offices at New York. The Lamport & Holt Line's only agreement with the other lines in this trade is one affecting the maintenance of rates, and we are on record with the other lines, under instructions from our home office, that we will maintain rates that we have a voice in the making of.

The freight representatives of this trade have weekly meetings, much the same as the freight representatives in the Brazil trade. These are generally held at one or other of the shipping offices in turn. Reports are then made as to the movement of cargo, whether the steamers are filling, getting good dispatch; contracts are reported and rates discussed when necessary.

Again, as in Brazil, the policy of the River Plate trade has been to maintain similar tariff rates to the River Plate as the conferences operating from Europe to the River Plate, to give American merchants the same rates from New York to the River Plate as their competitors have from Europe. In making up this schedule of rates a committee of the lines was in conference with a committee of merchants from one of the associations who asked to have a voice in the make-up of the tariff.

We have already sent to your committee copies of the rate tariffs in both Brazil and the River Plate trades.

Again, in the River Plate, we have found the rising market of tonnage has advanced faster than our rates to the merchants; and we have carried a great deal of unprofitable business from New York to the River Plate in the last year. Taking our own case, where we have had to charter in one or two instances to fill a date, we have lost from \$5,000 to \$7,500 on the voyages of these chartered boats, which shows that our rates to the trade have been below the market of tonnage, or less than the trade could have chartered the cheapest type of boat in the open market and performed the voyage themselves.

I thank you, Mr. Chairman. That is practically all the formal matter I have.

THE CHAIRMAN. You referred to certain agreements or understandings with the other conference lines relating to the Brazilian and other South American trade. I believe there was a subpoena duces tecum served on you to produce those agreements. Are you prepared to do so?

MR. DANIELS. In the Brazil trade all our documents are in court in New York, in the hands of the Government's attorneys there, but I have a copy of the petition of the Government, which includes a copy of these agreements which we admit as correct.

MR. HUMPHREY. What is that particular case? Is that a copy of the petition?

MR. DANIELS. This is a copy of the petition of the Government including these agreements as exhibits.

MR. HUMPHREY. I know, but there are three or four of those petitions.

MR. DANIELS. This is the case of United States of America, petitioner, *v.* The Prince Line (Ltd.) and others, defendants, in equity, United States District Court for the Southern District of New York.

MR. HARDY. That gives a correct copy of your written agreements?

Mr. DANIELS. That gives a correct copy of our written agreements as we furnished them to the Government.

The CHAIRMAN. What are you referring to, Mr. Daniels?

Mr. DANIELS. These agreements that are printed in this petition as exhibits.

The CHAIRMAN. That is, United States of America, petitioner, v. The Prince Line (Ltd.) and others, defendants?

Mr. DANIELS. Yes, sir. You will find those exhibits in the back of the book.

The CHAIRMAN. Let us get it definite. It is the case in the United States District Court for the Southern District of New York, entitled "United States of America, petitioner, v. Prince Line (Ltd.) and others, defendants, in equity." Beginning on page 22, Exhibits 1 and 2, you say are true copies of the memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line of Newcastle-on-Tyne, the Hamburg-American Line, and the Hamburg-South American Line?

Mr. DANIELS. Yes, sir; these were admitted as true copies.

United States District Court for the Southern District of New York.

The United States of America, petitioner, v. Prince Line (Ltd.), defendants.
In equity.

PETITION.

Henry A. Wise, United States attorney for the southern district of New York, solicitor for petitioner.

George W. Wickersham, Attorney General.

James A. Fowler, assistant to the Attorney General.

Stanley D. Montgomery, special assistant to the Attorney General.

To the honorable the judges of the District Court of the United States for the Southern District of New York, sitting in equity:

The United States of America, by Henry A. Wise, its attorney for the southern district of New York, acting under direction of the Attorney General of the United States, brings this proceeding in equity for relief under the provisions of the act of Congress of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts amendatory thereof, against Prince Line (Ltd.), James Knott, Paul S. Gerhard, Francis J. Zimmerman, Charles E. Gerhard, Harry Connor, Walter Holland, Arthur Cook, George Melly, C. Sydney Jones, Frederick T. Busk, Lorenzo Daniels, William Geln, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, William G. Sickel, Paul Gotthell, Thomas A. Sparks, Wilhelm Voelkens, H. W. Voelkens, W. L. Walter, Robert H. Goodwin, Clement H. Betts, Henry H. Garvan, and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft, and on information and belief alleges and shows:

I.

OBJECT OF THE ACTION.

The above-named defendants Prince Line (Ltd.), Walter Holland, George Melly, Arthur Cook, and C. Sydney Jones, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft are engaged in foreign trade and commerce as common carriers of passengers and freight between ports in the United States—particularly the port of New York—and ports in the Republic of Brazil, and in respect to said foreign trade and commerce all of the defendants herein have been and are now violating the provisions of the act of Congress passed July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts amendatory thereof and supplemental thereto, as will hereinafter more fully and at large appear.

This proceeding is instituted to restrain the defendants from continuing the unlawful combination and conspiracy, hereinafter described, to monopolize and restrain trade and commerce in the carriage of freight and passengers between the ports of the United States on the Atlantic coast and Mexican Gulf and the ports of Brazil, from further acting under the unlawful contracts and agreements hereinafter described, adopted by said defendants pursuant to and in furtherance of said unlawful combination and conspiracy and from hereafter entering into any further combination or conspiracy to monopolize and restrain said trade and commerce.

II.

DESCRIPTION OF THE DEFENDANTS AND OF STEAMSHIP LINES CONDUCTED BY THEM.

1. *Prince Line (Ltd.)*.

(a) Defendant Prince Line (Ltd.) is and at all times herein mentioned was a corporation organized and existing under and by virtue of the laws of the Kingdom of Great Britain, with its principal office and place of business at Newcastle on Tyne, England. From some time prior to the year 1907, to the time of filing this petition, it has acted as a common carrier of freight and passengers from the port and southern district of New York to various ports in the Republic of Brazil, and from such Brazilian ports to the said port and southern district of New York, and the port of New Orleans, in the State of Louisiana, and to other ports in the United States; and in such traffic it has at all such times maintained a regular line of steamships known as the "Prince Line";

(b) Defendant James Knott, who is a resident of Newcastle on Tyne, England, has at all such times been the manager of said Prince Line (Ltd.), and of its said line of steamships;

(c) Defendants Paul S. Gerhard, Francis J. Zimmerman, and Charles E. Gerhard, all of whom are residents of the city, State, and southern district of New York, have at all times been copartners doing business in the city and southern district of New York, under the firm name and style of Paul S. Gerhard & Co., with an office and place of business in the city and southern district of New York, and as such copartners have at all such times acted as the general agents of defendants, Prince Line (Ltd.), in the city of New York, and as such general agents have been in charge of the conduct of all of its business and affairs in the port and southern district of New York in connection with its business, trade, and commerce aforesaid;

(d) Defendant Harry Connor, who is a resident of the city, State, and southern district of New York, has at all such times been in the employ of said copartnership.

2. *Lamport & Holt Line*.

(a) From some time prior to the year 1907 to the date of filing this petition, the defendants Walter Holland, George Melly, Arthur Cook, and C. Sydney Jones, all of whom are residents of the city of Liverpool, England, have been copartners doing business under the firm name and style of Lamport & Holt, and at all such times said copartners have owned and operated a regular line of steamships upon which they have transported freight and passengers for hire, between the port and southern district of New York and various ports in the Republic of Brazil, and between said Brazilian ports and said port of New York and the port of New Orleans, in the State of Louisiana. This line of steamships is known and will hereinafter be referred to as the "Lamport & Holt Line."

(b) Defendants Frederick T. Busk and Lorenzo Daniels, both of whom are residents of the city, State, and southern district of New York, have at all such times been copartners doing business in the city and southern district of New York, under the firm name and style of Busk & Daniels, with an office and place of business in the city and southern district of New York, and at all such times have been the general agents in the city and southern district of New York of said Lamport & Holt, and as such general agents have been in charge of the conduct of all of its business and affairs at the port and southern district of New York in connection with its business, trade and commerce aforesaid.

(c) Defendant William Gein, who is a resident of the city, State, and southern district of New York, has at all such times been in the employ of said firm of Busk & Daniels.

3. *Hamburg Lines.*

(a) Defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft is, and at all times herein mentioned was, a corporation duly organized and existing under and by virtue of the laws of the Empire of Germany, with a principal office and place of business at Hamburg, Germany.

(b) Defendant Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft is and at all times herein mentioned was a corporation duly organized and existing under and by virtue of the laws of the Empire of Germany, with a principal office and place of business at Hamburg, Germany.

(c) From some time in the year 1907 to the time of filing this petition, the two last-named corporations have jointly owned and operated a regular line of steamships for the carriage of passengers and freight from the port and southern district of New York to various ports in the Republic of Brazil, and from such Brazilian ports to the port and southern district of New York and the port of New Orleans, in the State of Louisiana. This line of steamships has at all such times been known and hereinafter will be referred to as the "Hamburg Lines."

(d) Defendant William G. Sickel, who is a resident of the city, State, and southern district of New York, has at all such times been the assistant to the general manager in the United States of the defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft.

(e) Defendants Paul Gottheil, Thomas A. Sparks, Wilhelm Voelkens, H. W. Voelkens (whose first name is unknown), and W. L. Walter (whose first name is unknown) have at all such times been copartners doing business in the city, State, and southern district of New York, under the firm name and style of Funch, Edye & Co., with an office and place of business in the city and southern district of New York; and at all such times said defendants have acted as the general agents of defendants Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft in the United States, and as such general agents have been in charge of the conduct of all of the business and affairs of said companies at the port and southern district of New York in connection with their business, trade, and commerce aforesaid.

(f) Defendants Robert H. Goodwin, Clement H. Betts, and Henry H. Garvan, all of whom are residents of the city, State, and southern district of New York, have at all such times been employees of the copartnership of Funch, Edye & Co., aforesaid.

III.

DESCRIPTION OF THE TRAFFIC BETWEEN THE UNITED STATES AND BRAZIL.

The only practicable routes for the carriage of passengers and freight from the United States of America to the Republic of Brazil, and from the Republic of Brazil to the United States, are all-water routes on the Atlantic Ocean, between ports on the Atlantic coast and the Mexican Gulf in the United States, and ports on the Atlantic coast in Brazil. Substantially all of the commerce of the United States of America with the Republic of Brazil, both export and import, is carried by steamships over said routes. At all the times herein mentioned, the defendant carriers have been engaged in the carriage of freight and passengers over such routes, and have maintained and operated their aforesaid steamship lines with regular dates for the departure of their ships from the port of New York to Brazilian ports, and from Brazilian ports to the ports of New York and New Orleans, but with no regular service from the port of New Orleans to Brazilian ports. During all of said period no other port on the Atlantic coast of the United States nor on the Gulf of Mexico has been regularly reached by any line running to or from Brazil. In said traffic between the United States and Brazil said defendant carriers are natural competitors in the business of furnishing facilities for the transportation of freight and passengers between the ports aforesaid and but for the existence of the unlawful combination and conspiracy and the unlawful contracts and agreements made in furtherance thereof, hereinafter set forth, said defendant carriers would be actively competing with one another in said trade and commerce.

IV.

THE COMBINATION AND CONSPIRACY IN WHICH THE DEFENDANTS ARE ENGAGED.

The defendants for five years last past have been continuously and now are engaged in the United States, and particularly in the southern district of New York, in an unlawful combination and conspiracy, unreasonably and directly to restrain a part of the trade and commerce of the United States with foreign nations, and to monopolize the same, that is to say: They are and for five years last past continuously have been engaged in said southern district of New York in a combination and conspiracy to destroy all competition among and between themselves in the business of transporting passengers and freight by steamships between ports in the United States of America and ports in the Republic of Brazil, and particularly between the port of New York, in the southern district of New York, and ports in the Republic of Brazil, and to eliminate, suppress, and destroy all competition in such trade and commerce by any and all persons and corporations other than themselves; and at all such times they have been continuously and now are so combining and conspiring to monopolize, and in fact, do now monopolize such trade and commerce.

V.

MEANS AND METHODS USED TO ACCOMPLISH THE OBJECTS OF THE COMBINATION AND CONSPIRACY.

To restrain trade and effect a monopoly in the above-described foreign commerce the defendants have adopted measures to eliminate competition among themselves and to destroy and prevent the competition of others. Many of the means and methods so used are in detail as follows:

1. *Traffic agreement.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, defendants, Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lamport & Holt, defendant Prince Line, Limited, defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, and defendant Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft, on the 14th day of February, 1908, at the city of London, England, entered into a written agreement, a copy of which is hereunto annexed and marked Exhibit 1, and here prayed to be considered as a part hereof, as if here set forth in full, which will hereinafter be referred to as the "Traffic agreement." Thereafter continuously to the date of filing this petition, all of the defendants herein named, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, have been, and now are, cooperating with one another to carry into effect the terms and provisions of said agreement, and each and all of the individual defendants herein named and described as residents of the southern district of New York, have at all times since the making of said agreement, as above stated, conducted their respective affairs in accordance with the terms and provisions therein contained.

Among other things, said traffic agreement provided:

(a) For fixing the total number of sailings and apportioning them among the said lines.

(b) For the withdrawal of the steamships of the Hamburg lines then engaged in the traffic from Brazilian ports to the port of New Orleans and that the defendant proprietors of the Lamport & Holt Line should conduct all such traffic.

(c) For a system of rebates to shippers who confined their shipments to the lines of the defendants and lines with which any of the defendants might be in combination.

(d) For a tariff of rates for the carriage of freight in the trade and commerce aforesaid and be adhered to by each of the lines.

2. *Pooling agreement of 1908.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, the defendants, Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lam-

port & Holt, and defendants, Prince Line, Limited, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiff-fahrts-Gesellschaft, on the 8th day of July, 1903, entered into a written agreement, a copy of which is hereto attached and marked Exhibit 2, and prayed to be considered as a part hereof, as if here set forth in full, which will hereinafter be referred to as the "Pooling agreement." Immediately thereafter, and continuously, until the 30th day of June, 1909, all of the defendants herein named, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, cooperated with one another to carry into effect the terms and provisions of said agreement, and each and all of the individual defendants herein named and described as residents of the southern district of New York, within the time aforesaid, conducted their respective affairs in accordance with the terms and provisions therein contained.

Said agreement was terminated under the terms of a notice given by the defendant proprietors of the Lamport & Holt Line, a copy of which is hereto attached and marked "Exhibit 3," and prayed to be considered as a part thereof as if here set forth in full.

Among other things, said pooling agreement provided that:

(a) The Lamport & Holt Line, the Prince Line (Ltd.), and the Hamburg lines should each receive one-third of the aggregate profits earned by all three of said lines on freight carried in the trade and commerce hereinbefore described;

(b) The then existing scale of steerage rates should be maintained by each of said lines in the absence of mutual agreement to the contrary;

(c) A committee should be organized in New York, composed of the New York representatives of said lines which should cooperate with said defendant proprietors of said lines in carrying out the provisions of said agreement;

(d) The agents of said lines in New York should, under certain circumstances, fix the rates for said lines in said traffic;

(e) A breach of said pooling agreement by any of said defendant proprietors should result in a penalty to such offending defendant of from 100 to 5,000 pounds.

3. Pooling agreement of 1909.

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, the defendants Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lambert & Holt, and defendants Prince Line (Ltd.), Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, and Hamburg-Südamerikanische Dampfschiff-fahrts-Gesellschaft, in or about the month of July, 1909, the exact date being to the petitioner unknown, entered into another pooling agreement, the exact terms of which are to the petitioner unknown, but which the petitioner is informed and believes was similar in form and effect to the aforesaid pooling agreement of 1903, and petitioner is informed and believes that said agreement now is in force and operation, and that at all times from the month of July, 1909, to the date of filing this petition, all of the defendants, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, have been and now are cooperating with one another to carry into effect the terms and provisions of said agreement;

4. London conference.

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, from the 14th day of February, 1908, to the date of filing this petition, certain of the defendants have held regular meetings, periodically, at the city of London, England, which said meetings have been known to and described by defendants as the "London conference," at which said meetings the aforesaid Prince Line, Lamport & Holt Line, and Hamburg lines have been regularly represented by certain of the defendants herein named; at these conferences the defendants then and there present, in furtherance of, pursuant to, and to effect the object of the aforesaid unlawful combination and conspiracy, have established schedules of dates for the sailings of the vessels of said lines, whereby dates have been arbitrarily fixed upon which the vessels of each of said lines should be permitted to sail to the United States from Brazil and from Brazil to the United States, and after such conferences the action there taken has been communicated to each, and every of the defendants and said defendants and all of them have there-

after so conducted their respective business and affairs as to conform to carry into operation the plans and schemes adopted at such conferences, and said defendant proprietors and their representatives have at said conference used divers other means in furtherance of said combination and conspiracy.

5. *New York conference.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy and to effect the object thereof, from the 14th day of February, 1908, to the date of filing this petition, representatives of the aforesaid defendant proprietors of said Prince Line, Lamport & Holt Line, and Hamburg Lines have held weekly meetings, known to the defendants as the "New York conference," at the city and southern district of New York. The following defendants have attended said meetings as representatives of said lines: Arthur Cook, Lorenzo Daniels, and William Gein, representing the Lamport & Holt Line; Paul S. Gerhard, Harry Connor, and Charles E. Gerhard, representing the Prince Line; and Thomas A. Sparks, William G. Sickel, Clement H. Betts, and Henry H. Garvan, representing the Hamburg Lines. These meetings have been held at an office jointly maintained by the defendants in the Produce Exchange Building, in the city, State, and southern district of New York. This office has been under the management and control of defendant Robert H. Goodwin, who has also acted as secretary at said meetings and regularly kept minutes of the proceedings thereof. At these weekly meetings the defendants then and there present have from time to time agreed upon and established rates of freight outward from New York to be charged by all of the lines hereinbefore named for the services thereafter to be rendered by them in the trade and commerce hereinbefore described; and thereafter each, all, and every of the defendants have been notified of such action and have thereafter so conducted their business and affairs as to conform to and carry into operation the plans and schemes so adopted at such conference. At certain of said meetings the defendants then and there present have agreed upon and authorized the making of contracts by the several lines parties to such conference as aforesaid with particular shippers whereby such lines were authorized to grant preferential rates to such shippers, which said preferential rates should and would be less than the regular rates established for such service at said conference, as hereinbefore stated; and thereupon each of said lines so authorized to make such contracts has been notified of the action of such conference and has thereafter so conducted its business and affairs as to conform to and carry into operation the plans and schemes so adopted at such conference.

6. *Rebates.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy and to effect the object thereof from February 14, 1908, to the time of filing this petition the defendant proprietors of said Prince Line, Lamport & Holt Line and Hamburg Lines have maintained a system of rebates by which they have sought to induce and compel shippers to confine their shipments in the trade and commerce hereinbefore described to said lines operated by said defendants. Under said system shippers, who for certain periods confine their shipments in said traffic between the United States and Brazil to said lines and who during said periods confine their shipments in all other traffic in which the defendants or any of them are engaged to the lines of said defendants or to lines with which said defendants are in combination, receive at the end of said periods rebates of 10 per cent of the amounts theretofore paid by them to said lines operated by said defendants for the carriage of freight in said traffic between the United States and Brazil. And all of the defendants herein have at all such times aided in the maintenance and operation of said system of rebates.

7. *Refusals to carry.*

In furtherance of and pursuant to said combination and conspiracy and in violation of their legal duty as common carriers said defendant proprietors of said Prince Line, Lamport & Holt Line, and Hamburg Lines have from time to time during the existence of said combination and conspiracy sought to coerce shippers and destroy the competition of rivals by refusing altogether to carry the goods of such shippers as refused to confine their shipments in said traffic between the United States and Brazil to the said lines of said defendants and their shipments in other traffic to the lines of said defendants

and other lines with whom the defendants were in combination. And all of the defendants herein have aided in said attempts to coerce said shippers and to destroy competition thereby.

VI.

RESTRAINT OF TRADE AND VIRTUAL MONOPOLY RESULTING FROM CONSPIRACY.

As a result of the combination and conspiracy hereinbefore alleged and of the various acts hereinbefore alleged to have been done by the defendants in furtherance thereof the defendants have restrained trade by eliminating competition among themselves and by destroying and rendering impracticable the competition of others and have thereby acquired a virtual monopoly of that portion of the foreign commerce of the United States which consists in the transportation of passengers and freight for hire between ports of the United States on the Atlantic coast and Mexican gulf and ports in the Republic of Brazil.

Said monopoly is complete, but for one small independent line, the Lloyd Brasileiro, operating steamships with infrequent sailings between Brazilian ports and the port of New York and but for a small and decreasing number of tramp steamships plying at irregular intervals between ports in the United States and ports in Brazil. The sailings provided by these competitors are so infrequent and irregular that shippers who are regularly shipping goods between the United States and Brazil are obliged to employ the defendant lines for at least a portion of their shipments. The defendants are attempting to monopolize said commerce completely and by the aid of the coercive measures hereinabove described will succeed in so doing unless restrained by the decrees of your honors.

By reason of said restraint of trade and said virtual monopoly said defendants have acquired the power to fix arbitrary and unreasonable rates for the services rendered by them in said trade and commerce and have endeavored to maintain rates at that artificial level at which said traffic so monopolized may be made to yield the highest net returns to them. By their action in fixing such rates they have deprived and are depriving the public of the benefit of the lower scale of rates for such traffic that would normally have resulted from free competition among persons and corporations engaged in such traffic and of the benefit of superior facilities for such traffic that would normally have been provided as a result of said competition.

VII.

PRAYER FOR RELIEF.

In consideration whereof, and inasmuch as petitioner can only have adequate relief in the premises in this honorable court where matter of this nature are properly cognizable and relivable, your petitioner prays:

1. That the aforesaid unlawful combination and conspiracy and the aforesaid contracts entered into and continued by the defendants as set forth herein and each of said contracts be declared illegal and in violation of the act of Congress passed July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts supplemental thereto and amendatory thereof, and that an injunction issue restraining and prohibiting the defendants and each, every, and all of them and their officers, servants, employees, attorneys, and agents from doing any act in pursuance or in furtherance thereof by the means herein described, or by any other means, and be required to desist and withdraw from all connection with the same, and that they and each of them be required and compelled to cancel and abate said unlawful contracts.

2. That the defendants, and each, every, and all of them, and their officers, servants, employees, attorneys, and agents, be enjoined, restrained, and forbidden from offering or paying any bonus, rebate, or reduction of freight rates in any form or guise whatsoever in consideration or because of shippers forwarding their shipments exclusively over the lines of the defendants or some or any of them.

3. That the defendants and all and each of them, their officers, servants, employees, attorneys, and agents, be enjoined and prohibited from further agree-

ing, combining, conspiring, and acting together to establish and maintain rules, regulations, and rates for carrying freight upon the several steamships operated by the defendants, or any of them, between ports in the United States and ports in the Republic of Brazil in restraint of trade and commerce of the United States and with foreign nations, and from entering into, or continuing in, or doing anything in aid of any combination, association, contract, or conspiracy to deprive individuals, firms, or corporations shipping freight between points in the United States and said Brazilian ports of such facilities and rates of freight as will be afforded by free and unrestrained competition among said defendant steamship lines or any of them.

4. That the defendants, and all and each of them, their officers, servants, employees, attorneys, and agents, be enjoined and prohibited from further agreeing, combining, conspiring, or acting together to injure or destroy the business of any person or corporation engaged in or who may at any time hereafter be engaged in the business of carrying freight between ports in the United States and ports in the Republic of Brazil, and from further agreeing, combining, conspiring, or acting together to monopolize the said freight traffic in the trade and commerce between the United States and foreign nations or any part thereof.

5. That the defendants, and each of them, their officers, agents, attorneys, servants, and employees, be enjoined and prohibited from entering into or taking part in or performing any contract, combination, or conspiracy, the object, purpose, or effect of which will be a restraint of, or a monopolization, or attempt to monopolize, trade and commerce in the transportation of freight between the United States and foreign nations in violation of the provisions of the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraint and monopolies" and the acts amendatory thereof or supplemental thereto, either by agreeing or contracting together or with one another expressly or impliedly, directly or indirectly, as to the prices at which the said service of transportation of freight shall be rendered, or as to a division of said traffic among defendants' lines, or by agreeing or contracting together, or with one another, with a view to the imposition of any burden or limitation upon the service of transporting freight, or by contracting or agreeing together, or with one another, expressly or impliedly, directly or indirectly, to contribute any part of the proceeds of such transportation to any pool or general fund, or to maintain any such pool or general fund made from such contribution for the purpose of paying rebates or otherwise controlling or attempting to restrain competition among the various lines of defendants.

6. That defendants, and each and all of them, their officers, servants, employees, attorneys, and agents, be enjoined, restrained, and forbidden either to enter or clear any of their ships or vessels at the port of New York or at any other port of entry within the United States of America or any of its possessions so long as they shall continue to maintain the aforesaid unlawful combinations and conspiracies or any other such or similar combination or conspiracy.

7. That upon the filing of this petition an injunction or restraining order be granted restraining the defendants, and each of them, during the pendency of this suit in the manner expressly set forth in paragraphs 1 to 6, inclusive, of this prayer.

8. That your petitioner have such other further and general relief as to this honorable court may appear to be meet and proper.

9. To the end that each and every of said defendants may, if they can, show why your petitioner should not have the relief herein prayed for, and may, according to their best and utmost knowledge, remembrance, information, and belief, full, true, direct, and perfect answer make (but not under oath, answer under oath being hereby expressly waived) to each and all matters in this petition alleged and contained, and that as fully as if the same were here repeated paragraph by paragraph and they were thereunto specially severally interrogated. May it please your honors to grant to your petitioner a writ of subpoena issuing out of and under the seal of this court, directed to said defendants and each of them, commanding them and each of them on a day certain and under a certain penalty, to be therein inscribed, to appear before your honors in this court, and then and there full, true, direct, and perfect answer make to all and singular the premises herein set forth, and further

to stand, to perform, and abide by such further order or decree as to your honors shall seem meet. and your petitioner will ever pray.

HENRY A. WISE,
*United States Attorney for the
Southern District of New York, Solicitor for Petitioner.*

GEORGE W. WICKERSHAM,
Attorney General.

JAMES A. FOWLER,
Assistant to the Attorney General.

STANLEY D. MONTGOMERY,
Special Assistant to the Attorney General.

EXHIBIT 1.

Memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London, the Prince Line of Newcastle on Tyne and the Hamburg-Amerika Linie and the Hamburg-Südamerikanische Dampschiffahrts-Gesellschaft, of Hamburg (hereinafter called the Hamburg Lines). For the better regulation of the trade between the United States of America and Brazilian ports and vice versa, whereby it is mutually agreed as follows.

OUTWARDS.

1. That the departures of the lines, unless otherwise mutually agreed, shall be as follows: Messrs. Lamport & Holt, 24 sailings per annum; the Prince Line, 24 sailings per annum; the Hamburg Lines combined, 24 sailings per annum; an itinerary covering the requirements of the various ports to be drawn up and agreed upon, the object and intention being that an excess of tonnage for any particular destination may be avoided.

2. Pending a basis for a pooling agreement being arrived at, a tariff of rates from New York to be drawn up and strictly adhered to without any modification whatever except as they may be altered by agreement in meeting or in writing.

3. Consideration to be given to the reestablishment of a deferred rebate system on the same lines as that in force in Europe.

HOMEWARDS.

4. From the 1st of July, 1908, the departures of the Hamburg Lines from Brazilian ports to New York shall not exceed 24 steamers per annum and those of the Prince Line 24 steamers per annum to New York and 12 steamers per annum to New Orleans, Messrs. Lamport & Holt only to be at liberty to dispatch such number of steamers as may suit their convenience. The Hamburg Lines to withdraw their service to New Orleans, the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line.

5. The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement. No rebates or discounts of any kind whatever to be given or allowed, except such as may be provided for hereafter. The rates of freight on all other articles, excepting on sugar from the northern ports, also to be agreed upon and adhered to.

6. A rebate system to be established on the same scale as that presently in force for Hamburg, under which all shippers will be required to confine their shipments either to the United States or to Antwerp, Rotterdam, Amsterdam, Hamburg, and Bremen, to the steamers of the parties to this agreement or to other lines which may be in conference with the Hamburg lines in their Brazil-Europe service. An agreement, if possible, also to be come to with the Royal Mail Co., the Chargeurs Reunis, or other lines under which the shipments to Havre and London may be brought within the same rebate system.

7. In the event of any of the parties to this agreement starting a service in which they have not already been engaged previously and by which they are entering into competition with any trade in which any of the other parties to

this agreement are at present engaged, it will be competent for any party whose trade may be so interfered with to withdraw from this agreement forthwith.

8. Should any unforeseen contingency arise not contemplated under this agreement, the same shall be taken into consideration and, if possible, provided for.

9. Should any claim be made under this agreement by any one or more of the parties hereto in respect to any alleged breach by any other party or parties, the matter shall be referred to the decision of two arbitrators in London, one to be appointed by the party or parties claiming or objecting, as the case may be, and the other by the party or parties against whom the claim or objection is made, with power to such arbitrators to appoint an umpire, and the decision of the said arbitrators or umpire shall be final and binding upon all the parties hereto.

10. This agreement shall commence as from the date hereof and shall remain in force until the 31st December, 1913.

Dated in London 14th February, 1908.

(Signed)	BALLIN. LOESER.
	For THE PRINCE LINE,
(Signed)	JAMES KNOTT,
	<i>Managing Director.</i>
(Signed)	TH. AMSINCK. CROFF.
(Signed)	LAMPORT & HOLT.

Signed by Mr. Knott subject to the confirmation of the Prince Line board in regard to the duration clause. Failing such confirmation the agreement, so far as the Prince Line is concerned, to run for one year, say to 30th June, 1908, subject to six months' notice of termination, always expiring on 30th June in any year.

J. K. B. L. TH. A. N. L. H.

EXHIBIT 2.

NEW YORK-BRASILIEN POOL-VERTRAG AUSGEHEND.

Memorandum of agreement made this 8th day of July, 1908, between Messrs Lamport & Holt, of Liverpool and London; the Prince Line (Ltd.), of Newcastle-on-Tyne; the Hamburg-Amerika Linie and the Hamburg-Südamerikanische D.-G., of Hamburg, hereinafter called the Hamburg Lines, whereby it is mutually agreed as follows:

1. That the parties hereto shall form a "pool" for the purpose of equalizing the benefits and disadvantages in connection with the berth trade from the United States of America to central Brazilian ports, say Pernambuco, Cabedello, Macelo, Bahia, Rio de Janeiro, and Santos.

2. The interest of the parties to this "pool" shall be as follows:

Messrs. Lamport & Holt, one-third; The Prince Line, Limited, one-third; The Hamburg Lines, one-third.

3. *Terms of charter.*—Each and all steamers dispatched by the parties hereto under this agreement shall be paid a carrying rate of dollar 1.25 gold per freight ton plus allowances to cover the cost of stevedoring and reception charges at New York, and of handling charges in Brazilian ports, as follows:

Cabedello, landed dollar 1.60 f. f. a. dollar	1.00
Pernambuco (inside), landed dollar 2.40 f. f. a. dollar	1.10
Macelo, landed dollar 2.25 f. f. a. dollar	1.10
Bahia, landed dollar 3.00 f. f. a. dollar	1.25
Victoria, landed dollar 2.50 f. f. a. dollar	1.65
Rio de Janeiro, landed dollar 3.35 f. f. a. dollar	1.35
Santos, landed dollar 1.60	

With the exception of pieces or packages exceeding 2 tons weight, cargo of a bulky nature carried on deck, dangerous cargo, explosives, or ad valorem cargo for which 75 per cent of the freight shall be allowed instead of the carrying rate and allowances as above.

All passage money, mail money, specie, or intermediate freight to be for owner's own account. The present scale of steerage passenger fares both ways not to be departed from except by mutual agreement.

4. *Agents' commission pool.*—A loading commission of 5 per cent on the net freight earned to be paid by all the lines to their respective agents in New York, to be placed in a pool for division amongst them in equal proportions, say one-third each.

5. *Sailings*.—The above proportions of the pool are based upon a minimum of one sailing for each party per month, force majeure excepted. Any party shall be at liberty to increase their sailing up to two per month, but without increasing their share in the pool. Whatever the number of steamers dispatched by the parties hereto during the year, or whatever the size of the steamers may be, it is distinctly understood and agreed that each of the parties is entitled to and must be in a position to carry their proportion of cargo, and that in the case of the failure of any of the parties to supply their minimum sailings with sufficient space or their proportion of any increased tonnage that may be necessary, such party's share of the "pool" earnings shall be proportionately reduced for the benefit of the other parties.

6. *New York committee*.—A committee to be formed in New York composed of members of the firms of agents or brokers representing the different lines, which will hold regular meetings at the appointed place. No meeting to be held without a representative of each line being present and all decisions to be unanimous excepting with regard to certain freight matters as hereinafter stated. The chair to be taken alternately by each of the parties' representatives or agents for periods as may be agreed between them.

7. *Syndicate office in New York*.—An office to be maintained where the committee will meet at which the accounts of the syndicate will be kept, an independent secretary being appointed to attend to the work. All accounts and manifests to be lodged as soon as possible but not later than 30 days after the departure of the steamer. The secretary to make up a monthly statement regarding all sailings of the syndicate lines in each month, showing the percentages of tonnage carried, freight earned, and amount contributed to the pool by each of the lines. A balance sheet and accounts to be made up yearly and forwarded to the principals in Europe for adjustment.

8. *Tariff*.—The existing tariff of rates to be revised as agreed upon and to be strictly adhered to without any modification whatsoever except as may be agreed upon in meeting or in writing. This tariff, until mutually agreed, not to apply to the following staple articles provided they are shipped in lots of not less than 40 tons, to be engaged only at a net rate and for f. f. u. delivery abroad and without the benefit of deferred bonus, lumber, case oil, barbed wire, flour, rosin, cottonseed oil, rails, plates, and bars, rates of freight on which may be decided from time to time by a majority of the principals according to circumstances. In case there should be an exceptional inquiry in respect of which in the opinion of the majority of the agents there is no time to communicate with their principals a majority of the agents may decide the rate, but in that case their decision is to be immediately cabled to the principals, together with the reasons for the reduction.

9. *Deferred bonus*.—A system of deferred bonuses to be put into operation and the conditions of same to be rigidly enforced, excepting so far as regards staple articles in clause 8. This not to be operative for the present.

10. *Arbitration*.—Any dispute arising under this agreement or with reference to the interpretation of any of its clauses to be referred to the decision of two arbitrators in London, one to be appointed by the parties complaining and the other by the parties complained against, with power to such arbitrators in case of disagreement to appoint an umpire, and if they can not agree upon one an umpire shall be nominated by the president of the Hanseatic Court of Appeal. If one of the parties fails to appoint an arbitrator within 21 days from notice an arbitrator nominated by the other party is to act as the sole arbitrator.

The award given by the arbitrator, arbitrators, or umpire shall be final and binding upon all the parties hereto.

11. *Penalties*.—Any party committing a deliberate breach of this agreement shall by way of liquidated damages pay a sum of not less than £100 and not exceeding £5,000 as may be decided by arbitration as per clause 10. Obvious mistake or inadvertency not to be deemed a breach of this agreement. All penalties to be divided between the other parties in equal proportions.

12. *Notice of termination*.—This agreement to begin as from the 1st of July, 1908, and to remain in force until the 30th of June, 1909, and to continue unaltered from year to year unless three months' notice be given by any of the lines to the other lines. No forward quotations or contracts to take effect after the termination of this agreement shall be made or entered into during the period of any notice to terminate, nor shall offers of future freight at rates lower than the tariff be sought or asked for or accepted during such period.

13. This agreement is supplementary to the agreement made between the parties hereto and dated 14th February, 1908.

(Signed)	LAMPORT & HOLT.
(Signed)	HAMBURG-SÜDAMERIKANISCHE DAMPFSCHIFFFAHRTS- GESELLSCH. CROPP.
(Signed)	HAMBURG-AMERIKA LINIE. THOMANN, pp. LOESER.
(Signed)	For the PRINCE LINE (Ltd.).
(Signed)	For JAMES KNOTT,
(Signed)	N. STOOKDALE, <i>Managing Di- rector.</i>

EXHIBIT 3.

UNITED STATES—BRAZIL.

LIVERPOOL, *March 19, 1909.*

HAMBURG-AMERIKA LINIE, HAMBURG-SÜDAMERIKANISCHE DAMPFSCHIFFFAHRTS-
GES, *Hamburg.*

DEAR SIR: With reference to the pooling agreement dated July 8, 1909, between your companies, the Prince Line and ourselves, we beg to give you notice as provided for under clause 12 of the said agreement to terminate the same on June 30 next. We shall, however, hope that in the meantime we may be able to come to a fresh arrangement with your good selves for a renewal on a more equitable basis.

Yours, truly,

(Signed) LAMPORT & HOLT.

The CHAIRMAN. State now to the committee whether or not that agreement is still in force between the several lines named therein.

Mr. DANIELS. My understanding is that it is not in force.

The CHAIRMAN. When did it go into effect first?

Mr. DANIELS. The 14th of February, 1908.

The CHAIRMAN. And it recites that this agreement shall commence as from date and continue until the 31st of December, 1913?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. By its terms it will not expire until the 31st of next December? Now, state to the committee whether or not that agreement is still in force between the lines.

Mr. DANIELS. My understanding is that there is no agreement existing and consequently that this must not be in force.

The CHAIRMAN. Where do you get that understanding? When was it abrogated?

Mr. DANIELS. I have not any of the details as to the formal abrogation or any further details than the information I gathered from our people abroad that there was no existing agreement between the lines.

The CHAIRMAN. You have no direct information?

Mr. DANIELS. I have nothing that can qualify that statement other than that.

The CHAIRMAN. By its terms, of course, it does not expire until the 31st of next December?

Mr. DANIELS. By its terms it should run on.

Mr. HARDY. You say there is no agreement? Is it a fact, though, that your practices have never broken at all; that you are doing just exactly as you did when the agreement did exist?

Mr. DANIELS. As regards the maintenance of rates, the working in friendly accord, we are following that from day to day in New York still.

Mr. HARDY. Is there anything in which you are not following that agreement?

Mr. DANIELS. The agreement should, I imagine, carry a liability with it, and it fixes sailings, and all that; whereas in the present working, we are in friendly accord and we maintain rates and we do not put an excess of tonnage on the berths and we economize in the management of the business as a whole. The agreement, as I understand, is only from day to day and might be terminated without obligation.

Mr. HARDY. Is there anything in which your practice is different from what it was?

Mr. DANIELS. That might carry an obligation and prevent a man doing something that to-day he would feel at liberty to do.

Mr. HARDY. You mean that now there is no penalty?

Mr. DANIELS. No special obligation. If a man wanted to exceed his sailings, I suppose he might.

Mr. HARDY. But you are doing now exactly what you have always done?

Mr. DANIELS. As far as the agents go, we are working in the same friendly accord as previously. I am not trying to dodge anything, because it is to my interest to bring it out.

Mr. HARDY. I know; but I do not want this idea that this agreement is all abandoned.

Mr. DANIELS. I am told that there is no formal agreement, but we act in New York the same as we always did in the management of the business.

Mr. HARDY. But you have abolished, by mutual understanding, any penalties for violating the terms of this agreement?

Mr. DANIELS. No; my judgment would be that this agreement has been abrogated—that there is no agreement.

Mr. HARDY. But you are still acting under a tacit arrangement by which you do what is involved in that agreement?

Mr. DANIELS. That is the natural sequence. It is the natural sequence in the economic management of the business that a minimum basis—a standardization, so to speak—

Mr. HARDY. You mean that instead of being an agreement it is an understanding?

Mr. DANIELS. Put it that way if you like. It is a working understanding that we are working under.

The CHAIRMAN. I also call attention to Exhibit No. 2, in the same case to which I referred, United States of America, petitioner, v. The Prince Line (Ltd.), and others, defendants [reading]:

NEW YORK—BRASILLEN—POOL-VERTRAG AUSGEHEND.

Memorandum of agreement made this 8th day of July, 1908, between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line (Ltd.), of Newcastle on Tyne; the Hamburg-American Line; and the Hamburg-South American Line—

In which it is stated in paragraph 12:

This agreement to begin as from the 1st of July, 1908, and to remain in force until the 30th of June, 1909, and to continue unaltered from year to year unless three months' notice be given by any of the lines to the other lines.

And which recites in section 13:

This agreement is supplementary to the agreement made between the parties hereto and dated 14th February, 1908.

Are you qualified to say whether or not that agreement is still in force between these conference lines?

Mr. DANIELS. That agreement was terminated by notice on June 30, 1909. If you look at Exhibit 3 you will see a copy of the notice that terminated it formally.

The CHAIRMAN. State whether or not the agreement provided for by that arrangement, although the agreement itself was formally terminated by notice, is still in effect between the lines?

Mr. DANIELS. To the best of my knowledge it terminated at the date given there—1909. There is no similar working agreement at all—no pooling arrangement between the lines.

The CHAIRMAN. At this time?

Mr. DANIELS. At this time.

The CHAIRMAN. And has not been since the time it was terminated by the notice?

Mr. DANIELS. That is my understanding.

The CHAIRMAN. Does that relate to rebating as well—deferred rebates?

Mr. DANIELS. We have no deferred rebates in the outward business from New York.

The CHAIRMAN. How about the business to New York?

Mr. DANIELS. The business to New York is a separate business almost entirely. They have rebates, and published rebates, printed, open on the table to everybody, and agreements, but I think they all operate under, or in accord with, the laws of the countries where they operate.

The CHAIRMAN. I am trying to lose sight of the laws; I just want to get the facts.

Mr. DANIELS. The facts are that they operate those systems in foreign countries.

The CHAIRMAN. Do those contracts or agreements with reference to shipments to the United States from South America also embrace pooling arrangements?

Mr. DANIELS. That I could not answer, because we are not interested in that and do not come into their operation at all. If we see them at all at New York we only see them as a matter of information, or something like that. We have nothing to do with them.

The CHAIRMAN. Have you seen them?

Mr. DANIELS. I do not recall that I have unless it is mentioned in this general agreement. I have not seen the European agreements at all.

The CHAIRMAN. Do you know that there is a pooling arrangement between the lines from Europe to New York?

Mr. DANIELS. A pooling arrangement?

The CHAIRMAN. Yes.

Mr. DANIELS. I should doubt it. I do not think there is a pooling arrangement.

The CHAIRMAN. What do you say about deferred rebates?

Mr. DANIELS. I think that is a tariff arrangement, not a pooling arrangement.

The CHAIRMAN. Is there such an arrangement as that?

Mr. DANIELS. Why, the deferred rebates, Mr. Chairman, are published. I think you have copies in the earlier testimony. They are all printed. The word "rebate" has not become abroad as much abused as it is in this country. It is nothing more or less than a discount.

The CHAIRMAN. You are talking about abuses now. What do you mean by "rebate"?

Mr. DANIELS. I think that is a tariff arrangement, not a pooling that is given privately and in discrimination.

The CHAIRMAN. Oh, it might be public; it just depends on whether the law is such that they conceal it.

Mr. DANIELS. A discount is a recognized condition of all business. If you look in any trade circulars or trade conditions you find a discount. In the shipping business we use the word "rebate," and it is nothing but a discount. It is done for the same purposes as a discount is given in all other commercial lines; it is a quid pro quo, in other words. I should be very glad to discuss the general policy of rebates with you.

Mr. HARDY. We just want the facts.

Mr. DANIELS. The facts are published.

Mr. HARDY. The question you were asked was whether they are rebates.

Mr. DANIELS. It is published; you have it all in printing.

Mr. HUMPHREY. Do you know of any discount where the condition of the discount is that if they patronize anyone outside of the combination they lose their discount?

Mr. DANIELS. I know of plenty of trades where, if anybody will give them a certain amount of business and their exclusive support to maintain their factories, they get a compensation for doing it. It is the same thing exactly.

Mr. HUMPHREY. In your rebate agreements the shipper has to agree not to patronize anyone outside of the combine, does he not?

Mr. DANIELS. Let me change that statement in just one way. He has to agree to give the line all his shipments. It is the same thing, but put in a different way; one sounds a little better than the other.

Mr. HUMPHREY. Do you say that is the general rule in regard to discounts, that in order to get a discount the man that gets the advantage of it must enter into an agreement that he will not patronize any other firms except those in the combine?

Mr. DANIELS. There are a great many trade agreements that if a man will confine his business to certain manufacturers and support those manufacturers, develop the trade, he will get a compensation for doing it.

The CHAIRMAN. We will come to that feature of the case later on. When we get the facts we will discuss the propriety of it.

Mr. HUMPHREY. I wanted to bring out the difference.

The CHAIRMAN. I am handing you a paper entitled, "Memorandum of agreement between the Royal Mail —." As I understand you, you state that there are in force between your lines, these conference lines, rebate agreements on shipments from Brazil to the United States?

Mr. DANIELS. So I understand; yes, sir. They are published.

The CHAIRMAN. And they relate to all commodities, or do they relate to some particular commodity, like coffee?

Mr. DANIELS. I would not be able to answer you positively, because I am not well enough posted. They would not tell us in New York, except as a matter of information, but I think there is a general cargo rebate northbound from the Argentine, or was proposed—I will not be positive whether it is in force or not—on similar terms. There are similar rebates to that published to all ports in Europe on all kinds of cargo, so they are customary.

The CHAIRMAN. Is not this one of the blank forms issued by these conference lines upon which shippers may make their claims for rebate? [Chairman here shows witness form of rebate agreement referred to by Mr. Story, and printed on pages 16 and 17 of hearings.]

Mr. DANIELS. I think it is. It looks to be the same form I have seen.

The CHAIRMAN. The same kind that is used in your office, is it not?

Mr. DANIELS. The same kind. Well, we never see this in New York. This is a foreign form entirely, but it looks, as I understand it, like the usual form.

The CHAIRMAN. Take the shippers of coffee, the New York importers of coffee from Rio. Do they make their claims for rebates through your office?

Mr. DANIELS. No; not at all. They are all made at Brazil.

The CHAIRMAN. They are made by their agents in Brazil, are they?

Mr. DANIELS. They are made by their agents in Brazil.

The CHAIRMAN. Now, have you any other agreements or understandings with any other steamship line, either affecting the freight or passenger tariff to or from the United States, than the ones that you turned over to the Government, and which are shown as exhibits in the suit of the United States against the Prince Line (Ltd.) and others?

Mr. DANIELS. I think we have an agreement. I had almost forgotten it, to maintain a passenger rate from Barbados, and, possibly, Trinidad to New York—to fix a rate for a certain class of steamers.

The CHAIRMAN. Have you that agreement?

Mr. DANIELS. No; it is very informal; it would only be by an exchange of letters. It really escaped my mind until you asked me a question about it. I had not taken up the passenger side of it. That would be the only agreement we have.

The CHAIRMAN. Can you furnish that to the committee?

Mr. DANIELS. I shall be very glad to look it up and send you a copy of it; yes, sir.

The CHAIRMAN. I will ask you to state also if you have not an agreement with reference to freight from Trinidad to New York between the different companies?

Mr. DANIELS. I do not know whether there is an agreement or not, Mr. Chairman.

The CHAIRMAN. Well, have you a freight tariff to which you all conform?

Mr. DANIELS. Do you mean northbound?

The CHAIRMAN. Yes.

Mr. DANIELS. I really could not answer you that. The agent on the spot would have charge of that and operate it. It is quite likely, but I simply have not any advice.

The CHAIRMAN. Do you think you could identify it if you could see it?

Mr. DANIELS. I have not seen it and I could not identify it.

The CHAIRMAN. You never saw any such agreement, do you say?

Mr. DANIELS. Not to my knowledge. I know sometimes they have tried to make them, but sometimes they have not had them, and sometimes they have made them. We have never been consulted about them in New York.

The CHAIRMAN. Suppose you look this over and see if you can say whether or not you can identify that as the tariff existing between these lines in the trade from Trinidad to New York?

EXHIBIT 30.

FREIGHT TARIFF FROM TRINIDAD TO NEW YORK.

Balata, per 100 pounds.....	\$0.55
Balsam, per 100 pounds.....	.55
Bitters, per full case.....	.20
Bitters, per half case.....	.10
Cocoa, per 100 pounds.....	.30
Cocoa waste, per 100 pounds.....	.20
Coconuts, per bag (free alongside).....	.25
Coconut oil, per cask.....	1.00
Coffee, per 100 pounds.....	.30
Copra, per 100 pounds.....	.25
Cylinders (empty iron), per cylinder.....	.50
Fruit, per cubic foot (in icebox when room available).....	.37½
Horns, per 100 pounds.....	.55
Hides, per 100 pounds.....	.55
Kola nuts, in bags of 100 pounds.....	.30
Kola nuts, in cases, per cubic foot.....	.11
Kola nuts, in barrels (flour-barrel size).....	.50
Limes, per crate of about 2' 8".....	.40
Limes, per barrel (flour-barrel size).....	.60
Lime juice, per cask (50 gallons).....	1.00
Lime juice, per barrel (25 gallons).....	.50
Manjak, per ton.....	2.50
Nutmegs, per barrel.....	\$0.50
Nutmegs in cases, per cubic foot.....	\$0.11
Oil drums (empty, iron), per drum.....	\$0.30
Old metal, per ton.....	\$3.80
Skins in bundles, per 100 pounds.....	\$0.55
Sugar, subject to special agreement.....	
Specie, per cent on value..... per cent.....	½
Timber, per ton.....	\$5.00
Tonka beans, per 100 pounds.....	\$0.60
Minimum B. L.....	\$3.00
Parcel receipt.....	\$1.00
Weight and measurement cargo not otherwise enumerated, per ton of 40 cubic feet, or 2,240 pounds.....	\$3.60
All of the above rates are net.	

TRINIDAD SHIPPING & TRADING Co. (LTD.).
 ROYAL DUTCH MAIL.
 ROYAL STEAM PACKET Co.
 LAMPORT & HOLT LINE.

TRINIDAD, May 1, 1911.

Mr. DANIELS. No; I have not seen it before; I do not recognize it, but it is quite in conformity with customs of the trade.

The CHAIRMAN. But you think, from your general knowledge of the situation—you would say it is a form?

Mr. DANIELS. There is no question about it. They are all printed.

The CHAIRMAN. It is carried out in practice between lines?

Mr. DANIELS. That would be my understanding. It is quite customary. They are all printed and must be quite correct.

The CHAIRMAN. The stenographer will note that as an exhibit, excepting the letter accompanying it. Now, Mr. Daniels, as I understood you, you expressed an opinion that the agreement, Exhibit 1, printed in the Government's petition, is no longer in force between the conference lines—that is the formal agreement; is that correct?

Mr. DANIELS. Yes, Mr. Chairman; that is my personal understanding.

The CHAIRMAN. While the agreement has been formally abrogated, yet did I understand you correctly to say that the terms of the agreement are carried out in practice between the conference lines up to this date?

Mr. DANIELS. Not so much the terms of the agreement as the method of the agreement is carried out—the method of operating.

The CHAIRMAN. You operate under the terms of the agreement, do you not?

Mr. DANIELS. Under a friendly understanding, taking the agreement as the base, without any obligation, the trade is practically operated out from New York on a friendly agreement to maintain rates, divide the large contracts, and the liability for transporting them—

The CHAIRMAN (interposing). Let us take it from the start. Take the departures of lines "unless otherwise mutually agreed, shall be as follows." You regulate, of course, the departure of outgoing vessels, do you not?

(EXHIBIT 31.)

REGULAR SERVICE, TRINIDAD TO NEW YORK.

(Note in ink :) Additional 5 per cent agreed in following May.

NOTICE TO SHIPPERS.

Shippers of cocoa, Trinidad to New York, are respectfully informed that commencing from this date a deferred rebate of 10 per cent will be allowed on the freight as per bill of lading on all cocoa shipped by the undersigned lines. The rebates are, however, subject to the following conditions, and may be discontinued whenever notice thereof is given. They will be computed up to 31st December, 1908, and will include all shipments made by steamers of the undersigned lines at 80 cents per 100 pounds since the initiation of the 30-cents rate on May 1 last. The rebates will thereafter be computed every six months and will be payable in Trinidad six months afterwards, but only to those shippers who have up to such dates confined all their goods (except sugar and asphalt) to the undernoted lines.

A statement of claim for such rebate must be made on a form as annexed, not less than three months before the dates upon which payment falls due, to the company, firm, or line of steamers which shall have carried the goods in respect of which the rebate is claimed.

TRINIDAD SHIPPING & TRADING CO. (LTD.).
ROYAL DUTCH WEST INDIA MAIL CO.
ROYAL MAIL STEAM PACKET CO.
LAMPORT & HOLT LINE.

(In ink)

PORT OF SPAIN, November 16, 1908.

REBATE DECLARATION ON CARGO FROM TRINIDAD TO NEW YORK.

_____, 190—.

To _____:

Annexed we hand you a list of our shipments by the steamers of your line during the period ending _____, 19—, upon the freight on which we are entitled to a rebate of 10 per cent in accordance with your circular of 16th November, 1908, and we declare that neither during the period named nor since have we made or been interested; directly or indirectly, either as principals or as agents, in any shipment (sugar and asphalt excepted) from Trinidad to New York, either direct or by transshipment by any vessel other than those provided by the Trinidad Shipping & Trading Co. (Ltd.), the Royal Dutch West India Mail Co., and the Royal Steam Packet Co.

Signatures to be those of the firms or of persons duly authorized to sign on their behalf.

(Signature of principal:) _____,

(Address:) _____.

(Signature of forwarding agent in cases where employed:) _____,

(Address:) _____.

Claims are valid only if presented by the 31st of March, 1909, in the case of steamers sailing before 31st December, 1908, or by 30th September, 1909, in the case of steamers sailing from 1st January to 30th June, 1909, or by 31st March, 1910, in the case of steamers sailing from 1st July to 31st December, 1909, and (if admitted) are payable not later than on the following 30th June and 31st December, 1909, respectively, in each year, subject to the claimants having up to date of payment confined their shipments to the lines named above.

Date of sailing.	Steamer.	Destination.	Marks.	Number of packages.	Rebate of 10 per cent.

Mr. DANIELS. We do not regulate that from New York; no, sir; that is all given us from the other side. Our own schedule is made up a year in advance.

The CHAIRMAN. Well, they are regulated, as you say, from the other side?

Mr. DANIELS. The schedules are given.

The CHAIRMAN. You say the other side. What do you mean by that?

Mr. DANIELS. I mean the European office nominates the steamers that are available to go on the berth and load.

Mr. HUMPHREY. They also tell you when they shall sail, do they not?

Mr. DANIELS. Well, we have the dates in mind; we tentatively keep our own dates; our passenger dates we adhere to strictly, and we publish that schedule for our sailings a year in advance. Our cargo boat schedule we try to keep a fortnight apart so as to make a proper interval for the convenience of the trade.

Mr. HUMPHREY. You arrange your schedule, do you not, in reference to all the other lines, in the conference?

Mr. DANIELS. Only in a very general way. The idea is not to send two boats to the same port the same day, or in anyway to have a waste—to make two boats perform what one boat could more economically perform.

Mr. HUMPHREY. You do, however, all work in harmony on the dispatching of the boats, do you not?

Mr. DANIELS. We try to work in harmony in connection with all the business; yes, sir.

The CHAIRMAN. That is arranged by conference here or in London?

Mr. DANIELS. I think that is arranged in London. Our dates are arranged in London, and I think all the other lines will say all their dates are arranged in London. Do not misunderstand me. When it comes to the port, we might arrange that here in New York; if we found two boats running for one port and only a certain amount of cargo to go there, we would come together and we could cable the home office asking if one boat could be withdrawn and the other boat go, or something like that.

The CHAIRMAN. You all cable to the same office in London, do you not?

Mr. DANIELS. No; that would simply be between the two boats that happened to conflict. That would be a private matter between the lines.

The CHAIRMAN. There is an arrangement in London controlling the voyages of these vessels, is there not, to which you refer for instructions when need be?

Mr. DANIELS. The London conference table is about four times the size of this, that has about 20 trades in it. The organization of that conference, of the conference office, attends to what little business we require of the conference.

The CHAIRMAN. It is all in the same office, is it not?

Mr. DANIELS. One office attends to a dozen conferences over there.

The CHAIRMAN. Yes; they attend to the business say in 20 different trades, do they not?

Mr. DANIELS. Yes.

The CHAIRMAN. This is one of the 20?

Mr. DANIELS. Yes; I say 20, but—

The CHAIRMAN (interrupting). And the same head controls?

Mr. DANIELS. Oh, no; it is not so at all. It is simply the organization of the office, that is all. There are entirely different concerns that use it. Not the same trades at all; it is only a matter of convenience.

The CHAIRMAN. They are all together, are they not?

Mr. DANIELS. Yes, sir; but they are not even in the same business, or friendly, or associated in harmony, those trades. One will have a day for a meeting, we will say, and the entire idea of the conference—

The CHAIRMAN (interposing). The lines engaged in the trade from New York to Brazil, or to South America, all have their headquarters in the same office, and they have their representatives meet there together in conference, do they not?

Mr. DANIELS. They meet very occasionally; yes.

The CHAIRMAN. They meet as often as necessary, do they not?

Mr. DANIELS. I do not suppose they meet three or four times a year.

The CHAIRMAN. They also have a New York office, as I understood from your paper?

Mr. DANIELS. We have a New York office—the agents.

The CHAIRMAN. And you meet there in conference how often?

Mr. DANIELS. Nominally once a week, or whenever there is any reason to have a meeting.

The CHAIRMAN. Each line is represented by an agent; or, of course, where several lines have a common agent, they meet with the others, do they not?

Mr. DANIELS. A representative of the line, not necessarily the agent.

The CHAIRMAN. Who are the representatives of the Hamburg Lines?

Mr. DANIELS. The Hamburg have their own office in New York.

The CHAIRMAN. In this conference?

Mr. DANIELS. Funch, Edye & Co. are their freight people.

The CHAIRMAN. And you are their representative, are you not?

Mr. DANIELS. I am not.

The CHAIRMAN. Who is the representative of Lamport & Holt in that conference?

Mr. DANIELS. Our firm.

The CHAIRMAN. You for your firm?

Mr. DANIELS. No; I have not been there for a long time to a meeting. I send a representative; somebody from the office.

The CHAIRMAN. Who is the representative of the Prince Line?

Mr. DANIELS. Paul F. Gerhart & Co. are the agents of the Prince Line. They send a representative.

The CHAIRMAN. And you meet, you say, once a week.

Mr. DANIELS. They meet formally on Wednesdays.

The CHAIRMAN. This agreement provides that "from the 1st of July, 1908, the sailings of the Hamburg-American Line from Brazilian ports to New York shall not exceed 24 steamers per annum, and those of the Prince Line shall not exceed 24 steamers per annum to New York and 12 steamers to New Orleans; Messrs. Lamport & Holt only to dispatch such number of steamers as suit their convenience; the Hamburg Lines to withdraw their service to New Orleans; the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line." That clause of the agreement is observed between these lines at this time, is it not?

Mr. DANIELS. Speaking outside of my personal direct knowledge now, because I do not come into contact with the operation of boats from Brazil to New Orleans, my understanding of that provision was that after the war—the rate war that was carried on with the German lines—we put a line into Hamburg from Brazil, and the condition of our withdrawing from Hamburg was that they only put in a fighting boat, or something like that, from Brazil into New Orleans, and did not intend to stay there at all, while we withdrew our boats from Brazil to Hamburg, and they withdrew their boat from Brazil to New Orleans and left the trade in the same channel it was before the fight commenced. Otherwise the boundary line went back again as it was before.

The CHAIRMAN. In other words, in the same shape as before this agreement was in force?

Mr. DANIELS. Previous to that agreement I am telling you this; that agreement was a sequence.

The CHAIRMAN. It is still in force, is it not, still observed? I am not talking about any—

Mr. DANIELS. That I can not tell you, because I do not know anything at all about it.

The CHAIRMAN. That is, between Brazil and New York?

Mr. DANIELS. Between Brazil and New York, because I do not know anything about them.

The CHAIRMAN. Are not the sailings the same now as provided for in the agreement of 1908?

Mr. DANIELS. I beg pardon.

The CHAIRMAN. The one from Brazilian ports to the United States; are they not the same as provided for in the agreement of 1908?

Mr. DANIELS. I can not answer you that, because I really do not know. We keep no record at New York of any of those conditions, or any of those agreements, how they are filled. We keep no record of foreign agreements.

The CHAIRMAN. I am not talking about the records; I am talking about the facts.

Mr. DANIELS. We could not tell you whether they are adhered to or not.

The CHAIRMAN. How many Hamburg Line boats sail from Brazilian ports to New York?

Mr. DANIELS. I should have to look that up from the facts.

The CHAIRMAN. You do not know whether more than 24 boats sail a year or not?

Mr. DANIELS. No; we do not know.

The CHAIRMAN. Would you say there are?

Mr. DANIELS. I could give you the actual record and will do so with pleasure.

The CHAIRMAN. We shall be very glad to have it.

Mr. DANIELS. But I am not interested. I do not operate under the agreement.

The CHAIRMAN. Have the Prince Lines any more than 24 steamers from Hamburg to New York?

Mr. DANIELS. Again I shall have to look up the records.

The CHAIRMAN. You will kindly do that also; also to New Orleans. Now, I believe you say that the freight both ways from the United States to South American ports and from South American ports to the United States are fixed in the conference?

Mr. DANIELS. No, sir; only from New York; from the United States to foreign ports. We have nothing to do with the other terminals of the line.

The CHAIRMAN. You are talking about the New York conference now?

Mr. DANIELS. I am talking about the New York conference, the New York agents, and the New York conference as well.

The CHAIRMAN. The inbound traffic from Brazilian ports to the United States is regulated and the rates fixed in Brazil, are they not?

Mr. DANIELS. In Brazil.

The CHAIRMAN. But they are uniform like the rates from New York to Brazil, are they not?

Mr. DANIELS. They are uniform amongst the conference lines; yes, sir.

The CHAIRMAN. Yes; that is what I mean.

Mr. DANIELS. Yes; they are uniform amongst the conference lines.

The CHAIRMAN. And I believe you say, as you understand it, the rebate system is still in existence from South American ports to New York between the conference lines?

Mr. DANIELS. I understand so; yes, sir.

The CHAIRMAN. But you say there are no rebates in outward shipments from New York to South American ports via the conference lines?

Mr. DANIELS. That is quite correct.

The CHAIRMAN. And the rates are uniform?

Mr. DANIELS. The rates are uniform amongst the lines, do you mean?

The CHAIRMAN. Yes; amongst the conference lines.

Mr. DANIELS. Yes; we maintain minimum rates; the minimum rate is uniform. By our steamers, the Lamport & Holt Line, we charge probably higher rates for our fast boats. We are able to get a premium.

The CHAIRMAN. That is by an agreement, is it?

Mr. DANIELS. No; that is not part of the agreement at all; that is entirely independent.

The CHAIRMAN. Which one of these lines maintains passenger steamers?

Mr. DANIELS. We maintain the passenger boats.

The CHAIRMAN. The Lamport & Holt Line?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. You have faster and better service on the whole, and you may charge a higher rate?

Mr. DANIELS. Yes; it costs a great deal more to operate it. We must get a larger revenue to do it.

The CHAIRMAN. What proportion of the traffic from New York to Brazil does each line have under the conference?

Mr. DANIELS. All our freight and all our contracts are taken on the basis of one-third each, but in the actual carriage of business the Prince Line, I believe, carried a great deal more tonnage than any of the other two conference lines; a great deal more than we have. We have carried very little Brazil tonnage the last year or so.

The CHAIRMAN. Is there any pooling of the earnings between these lines, between ports in the United States and Brazil?

Mr. DANIELS. There is no pooling between the three conference lines.

The CHAIRMAN. Is there any pooling of commissions?

Mr. DANIELS. There is no pooling of commissions.

The CHAIRMAN. Either on the outgoing or incoming traffic?

Mr. DANIELS. Not between the New York agents.

The CHAIRMAN. Well, is there, to your knowledge, by the agency in Brazil?

Mr. DANIELS. Not to my knowledge. I could not speak as to that at all from personal knowledge.

The CHAIRMAN. What is your information on that subject?

Mr. DANIELS. I have no information.

Mr. HARDY. I should like to ask a question on that same line. You say there is an agreement or understanding by which the lines are each to carry one-third of the freight out of New York, but that the Prince Line has carried a great deal more of it?

Mr. DANIELS. No; not an understanding as regarding the trade as a whole, but we take our joint contracts—supposing we take 50,000 tons of rails, for instance, instead of any one line assuming that contract directly, we would take it as a third interest, jointly, assuming a liability to that extent for the transportation of it. When it comes to the trade, as a general thing I think there is no division of the trade. Each line gets as much as they can.

Mr. HARDY. And you have no kind of understanding by which you divide the amount of the freights?

Mr. DANIELS. You mean by that the freight earnings or the cargo?

Mr. HARDY. The cargo.

Mr. DANIELS. None, beyond those contracts I mentioned which we take a third interest in. The rest of the trade we all scramble for.

Mr. HARDY. Mr. Daniels, has it not been your purpose, as much as possible, by making this cargo arrangement, to do away with competition, and is it not along the line that each steamer gets a prorata share of the trade?

Mr. DANIELS. No; I think not. Each line takes its own earnings. It is purely a friendly, economical understanding and operation.

Mr. HARDY. You have it arranged so you do not get in each other's way at all, do you not?

Mr. DANIELS. We do get in each other's way a great deal.

Mr. HARDY. You have differences among yourselves, have you?

Mr. DANIELS. It would be an ideal family if we did not. If we have any particular line of freight which other people want, we find them competing for it all the time.

Mr. HARDY. Do you have competition?

Mr. DANIELS. We have very keen competition among ourselves, not in the rates, only seeking the business.

Mr. HARDY. You have just the same competition as the two railroads in my town, or your town, would have when the rates are the same, and your agent will tell the customers you have the better route, and it is a question of which one could persuade better.

Mr. DANIELS. It would be a question of which one had the better booking clerk, the most popular with the particular line.

Mr. HARDY. Your competition, after all, amounts to only which can outtalk the other, does it not?

Mr. DANIELS. That and the difference in the services. The differences in the services is what counts.

Mr. HARDY. You have different kinds of boats?

Mr. DANIELS. Different kinds of boats. The slow boats cost a great deal less to run and get a lower class of cargo. The faster boats run on a schedule and it sometimes costs us many thousand dollars to turn around and keep our obligations. They command what we call the higher class tariff goods, and it is a constant fight with the lower class boat to get our freight.

Mr. HARDY. Have you not been sailing just as close to the anti-trust law as you could to be safe?

Mr. DANIELS. If anybody can tell me what the actual law is. As I have showed you, we have got the very best legal advice we could get.

Mr. HARDY. You have been troubled about it, have you not?

Mr. DANIELS. No, sir.

Mr. HARDY. That is the reason you had counsel, is it not?

Mr. DANIELS. The reason we had to pay was to try to find out what the law was.

Mr. HARDY. If it were not for fear of running against the law snags, would you not be in an absolute pool agreement? Do you not do that just to avoid the law?

Mr. DANIELS. It is a competitive question.

Mr. HARDY. I ask you if it is not a fact that you are running just as close to the line as you can?

Mr. DANIELS. The merits of the pool are to eliminate personal competition.

Mr. HARDY. Is not that your purpose, to get just a reason to eliminate the competition, and is it not true that you do all you can to accomplish that without infringing the law?

Mr. DANIELS. No; I do not think so, because we are tremendously fair with the trade. There are no shippers, no class of goods, which need the protection of the lines in the matter of freight competition.

Mr. HARDY. I am not asking argumentative questions; I just want the facts.

Mr. DANIELS. We work on commissions—we work on the commission basis—and our commission is based on the amount of money we can make. It is human nature to do as much as we can to see trade grow.

Mr. HARDY. I want the facts.

Mr. DANIELS. I would like to tell the basic facts, and you can then come right down to what the object or motive is.

Mr. HARDY. So you are not trying to avoid competition at all?

Mr. DANIELS. We are not trying to avoid competition.

Mr. HUMPHREY. What is the purpose of the pool, if it was not to eliminate competition?

Mr. DANIELS. The purpose of the old pool is to eliminate this personal strife and the incident loss that generally occurs in the human nature side of an individual; if he is looking after his own interests—he generally confines himself to his own interests—if his own interests are pooled he will be found looking after that.

The CHAIRMAN. This contract which is set forth in this petition, Exhibit No. 1, was not entered into with any idea or any purpose of preventing competition?

Mr. DANIELS. My idea and understanding of a pool is from a manager's standpoint more than anything else—common interest rather than divided interest.

Mr. HUMPHREY. And then when this clause was inserted in the agreement under which your line worked for many years, this section 5 says:

The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement. No rebates or discounts of any kind whatsoever to be given or allowed except such as may be provided for hereafter, the rates of freight on all other articles excepting sugar from the northern ports also to be agreed upon and adhered to.

That provision, according to your idea, as the agent of this company for many years, was not put in there with any idea of preventing competition.

Mr. DANIELS. That provision in that agreement, as my understanding as a business man, is an agreement binding the different parties to that agreement to work as a unit.

Mr. HUMPHREY. Yes; but will you answer this question directly? As I understood you a while ago, you said your purpose was not to prevent competition. Now, as the agent——

Mr. DANIELS. Of that line.

Mr. HUMPHREY. Wait until I finish my question. As the agent of that line, a man familiar with its business for many years, and who is familiar with the shipping business throughout the world, with your information and your knowledge, will you tell the committee that that agreement was not entered into with any purpose to prevent competition?

Mr. DANIELS. Well, I would not like to take such a technical view of it. We naturally——

Mr. HUMPHREY. Will you answer my question as to whether or not you had that purpose—whether or not that was the purpose of entering into that agreement, from your judgment as a man familiar with shipping and familiar with the situation and knowledge concerning these pools and circumstances. Do you state now, in your judgment, as a business man, that there was no purpose of preventing competition?

Mr. DANIELS. I would state a great many other purposes, but unquestionably we did not want competition in business we controlled at that time and held.

Mr. HUMPHREY. The purposes of that contract was to prevent competition, was it not?

Mr. DANIELS. Outside business developed, such as cargoes of coal and lumber. We would never interfere with the business as a whole. But we developed business ourselves, put our money into building ships, and have gone on and built up for years; naturally, we consider that we have a right to and are going to protect it and keep it.

Mr. HUMPHREY. And by protecting it you mean that you did want to prevent competition?

Mr. DANIELS. In our own business we naturally did not want to have anybody come and get it away from us.

Mr. HUMPHREY. And your own business was trade in this business to South America?

Mr. DANIELS. That is natural.

Mr. HUMPHREY. And you entered into this agreement with these other lines in order to protect yourself from the competition in your trade?

Mr. DANIELS. Not to protect ourselves from competition in our own trade, but from the competition among ourselves—simply individual competition among ourselves.

Mr. HUMPHREY. You mean among yourselves—you mean by “yourselves” the lines in this combination?

Mr. DANIELS. I mean the lines in this combination, and the advantage of a pool or agreement of that character is that you keep one line from——

Mr. HARDY. From competing with another line.

Mr. DANIELS. Yielding to temptation—constantly attempting to get the other fellow's cargo.

Mr. HUMPHREY. In other words, the purpose of the scheme, as this says, is to maintain the rate on coffee at the highest possible level?

Mr. DANIELS. Naturally at the highest possible level that we could afford to do it; but we have not been able to maintain an unreasonable or unfair level.

Mr. HUMPHREY. I did not intend to start in with the cross-examination at this time, Mr. Chairman.

Mr. DANIELS. Mr. Chairman, I made a lot of statistics and delivered them before the coffee roasters' convention at New York only a few weeks ago, elaborating this fairness as to standards of coffee rates in comparison to tonnage values, and, if there is any place in the record, I would like to have it go in, because it is a matter of absolute and irreputable facts.

The CHAIRMAN. I think I have read it, and there is no objection to its going into the record later if you desire it.

Referring to the supplemental agreement, it provides in section 4:

4. *Agents' commission pool.*—A loading commission of 5 per cent on the net freight earned to be paid by all the lines to their respective agents in New York, to be placed in a pool for division amongst them in equal proportions, say, one-third each.

You say that provision is not in effect now?

Mr. DANIELS. When——

The CHAIRMAN. I did not mean the agreement per se, but is that observed?

Mr. DANIELS. No; we all keep our own earnings—the line keeps its own earnings and the agents keep their own commissions.

The CHAIRMAN. And there is no pooling between——

Mr. DANIELS. No pooling.

The CHAIRMAN. When did that practice cease?

Mr. DANIELS. It ceased in theory when that agreement ceased. We never even qualified that agreement; that agreement was never qualified to.

The CHAIRMAN. You mean to say it was never carried out as to this provision?

Mr. DANIELS. Never carried out as to any provisions of an agreement. It ended in a row.

The CHAIRMAN. This provides—I am referring now to the supplemental agreement——

6. *New York committee.*—A committee to be formed in New York, composed of members of the firms of agents or brokers representing the different lines, which will hold regular meetings at the appointed place. No meeting to be held without a representative of each line being present, and all decisions to be unanimous, excepting with regard to certain freight matters as hereinafter stated, the chair to be taken alternately by each of the parties' representatives or agents for periods as may be agreed between them.

Now, is that clause that provides for the conference in New York between the agents?

Mr. DANIELS. I should say so; yes.

The CHAIRMAN. Well, now, that provision is now in effect?

Mr. DANIELS. We still maintain the office and meet there yet, but we maintained that office through all the fight and everything else.

The CHAIRMAN. Take clause 8, of the supplemental agreement:

8. *Tariff.*—The existing tariff of rates to be revised as agreed upon and to be strictly adhered to without any modification whatsoever except as may be agreed upon in meeting or in writing. This tariff, until mutually agreed, not to apply to the following staple articles, provided they are shipped in lots of not less than 40 tons, to be engaged only at a net rate and for f. f. a. delivery

abroad and without the benefit of deferred bonus: Lumber, case oil, barb wire, flour, rosin, cottonseed oil, rails, plates, and bars, rates of freight on which may be decided from time to time by a majority of the principals according to circumstances. In case there should be an exceptional inquiry in respect of which, in the opinion of the majority of the agents, there is no time to communicate with their principals, a majority of the agents may decide the rate, but in that case their decision is to be immediately cabled to the principals, together with the reasons for the reduction.

I understood you to say there as to some commodities or rates there was no fixed rate; that they were adjusted from time to time. these are the commodities to which you referred, were they not?

Mr. DANIELS. All our tariffs change; we change all the rates from time to time.

The CHAIRMAN. Yes; but I say you do it in these conferences?

Mr. DANIELS. No; we change them by cable—cable over, or we simply change them from abroad.

The CHAIRMAN. You would change them on this side or on the other side?

Mr. DANIELS. The change is made in accordance with that, but the change is all done in the general tariff by instructions from abroad. The American staples which you have mentioned there are not shipped from the other side, such as kerosene oil, rosin, flour—

The CHAIRMAN. Barbed wire?

Mr. DANIELS. No; barbed wire, of course, is shipped from the other side; but these are American products that are not exported from Europe, and thus there would be no corresponding rate out from Europe, because the shipments do not exist there. So, the authority is given to the agent in New York, taking the base value, we will say, of \$6 a ton to Rio, to make rates on these articles provided the base value is not gone below.

The CHAIRMAN. The minimum rate?

Mr. DANIELS. The minimum value; yes. So sometimes we make the rate on kerosene by the case, flour by the barrel, lumber by the thousand feet, or whatever the trade is accustomed to, we make it: but it is made with the base.

The CHAIRMAN. When you say "we" you mean your conference?

Mr. DANIELS. I mean the agents. Our method of making rates is that it is very rarely done in the conference. Our method of doing that is to fill in a rate very much as the railroads do, as I understand. That is our form of doing it [handing paper to chairman].

Mr. HUMPHREY. Did I understand you to say that you would charge what rates you wish, excepting that you do not go below a certain minimum rate?

Mr. DANIELS. Yes; we charge whatever we think is fair, as long as we do not go below the minimum figure or the value of the room it takes up in the ship.

Mr. HUMPHREY. Then you fix, by agreement, the minimum rate abroad?

Mr. DANIELS. The minimum rate is given us all abroad—what is the minimum to go to on the ship—and we fix the rate for the article based on that.

Mr. HUMPHREY. You have to get the permission from Europe, then, to fix the rate on any of these commodities?

Mr. DANIELS. No; I do not want you to put that construction on it, Mr. Humphrey. The European offices keep the accounts and the

expenses at all the foreign ports. They know what it costs—they have the data—what it costs to run the boats. They know what expenses are increased; they know when they have to make a base change. If the base change is given us, as I said, \$6, or 15 cents a cubic foot—

Mr. HUMPHREY. They do fix the base rate?

Mr. DANIELS. They do fix the base rate, because they have the information.

Mr. HUMPHREY. Then, I ask you if they do not, and I ask you this question: It is a fact, then, that the rate of the American products—the minimum rate, say—to be shipped via the conference lines from here to South America is fixed in Europe?

Mr. DANIELS. No, sir.

Mr. HUMPHREY. Well, then, who does fix it?

Mr. DANIELS. It is Brazil we are talking about. The basis is made there, because the books are kept there. For the River Plata, the books are kept in New York and the basis is made in New York.

Mr. HUMPHREY. Brazil is where the rate is fixed?

Mr. DANIELS. The books are kept abroad.

Mr. HUMPHREY. Let us understand this. Is it Brazil, then, where you cable to find out about the rates?

Mr. DANIELS. We cable to Europe to find out about the rates; yes, sir.

Mr. HUMPHREY. And the minimum rate on these products that are strictly American, that do not come into competition with European trade, is fixed by cable from Brazil?

Mr. DANIELS. Not the minimum rate on these products, the minimum value on the boat—what it costs to run the boat.

Mr. HUMPHREY. Then, where are the freight rates fixed?

Mr. DANIELS. The freight rates are made by us, based on the minimum value of the boat, a very vast difference.

Mr. HUMPHREY. Then, you get instructions from abroad?

Mr. DANIELS. We get instructions from abroad what the value of the boat is.

Mr. HUMPHREY. What the value of the boat is?

Mr. DANIELS. Yes, sir; and we make our rate accordingly.

Mr. HUMPHREY. When you say "we," you mean New York?

Mr. DANIELS. Make it accordingly; yes, sir.

Mr. HUMPHREY. So, then, the freight rates for the freight between here and South America are fixed by the conference, by agreement, upon information received from Brazil? Now, is that right?

Mr. DANIELS. Upon information received from our home offices.

Mr. HUMPHREY. What is that?

Mr. DANIELS. Upon information received from our home offices.

Mr. HUMPHREY. Where are your home offices?

Mr. DANIELS. In London. We receive it through its counsel.

Mr. HUMPHREY. You take the information as it comes to London from South America, and from London to New York, and upon that information you fix your rates?

Mr. DANIELS. Quite right. The books of the line—if the line circles from South America to 10 countries and a hundred ports, the books must be kept in one place.

Mr. HUMPHREY. I do not know anything about the business.

Mr. DANIELS. I am telling you all about the business.

Mr. HUMPHREY. If you can tell me the facts without argument, you will reach the point long before you would otherwise. What I wanted to know was whether I am right on that—the dispatch goes from London to South America?

Mr. DANIELS. The information comes from South America to London, and then we cable over from New York to ascertain——

Mr. HUMPHREY. You cable to London?

Mr. DANIELS. We cable to London to ascertain it.

Mr. HUMPHREY. That is exactly different from what you stated it awhile ago. So that, after all, your information comes from London?

Mr. DANIELS. Our information is cabled from London.

The CHAIRMAN. Let us see if I understand the witness. You say that all the books with reference to the business——

Mr. DANIELS. The expense of the voyage.

The CHAIRMAN (continuing). Between the United States and Brazil is kept in Brazil?

Mr. DANIELS. No; London. The home office is in London. All the Brazil accounts go to London.

Mr. BURLINGHAM. I think that it was in the—the stenographer will correct me if I am in error—it was in the Brazil trade—in the Brazils; not in the country of Brazil, but in the Brazils all the time; this misunderstanding has arisen from that.

Mr. HUMPHREY. We are talking about the trade done by this South American conference of the lines, which he speaks of. That ought to be perfectly plain to him—the information we are seeking. We are not trying to get into the interior of Brazil yet.

Let us see if I understand you now. You meet the representative of these conference lines in your room at New York City. You get a dispatch from London, and upon that dispatch you fix the minimum rate upon these products for carrying them to South America. Is that right.

Mr. DANIELS. We get the minimum price for the boat.

Mr. HUMPHREY. I do not care what you get. I want to know whether it is upon the information that you receive from London. I do not care what it is—whether it is boat or anything else, but upon information that you get from London, that you fix the freight rate based on that information.

Mr. DANIELS. We fix the freight rate based on the information that we get as to the value of the boat; yes, sir.

Mr. HUMPHREY. I do not care what is the value of the boat.

Mr. DANIELS. I give you the reasons.

Mr. HUMPHREY. From London.

Mr. DANIELS. You have got to put one and two together.

The CHAIRMAN. Let him explain as to the minimum value of the boat. What information do you get about that.

Mr. DANIELS. What information do we get about the value of the boat? Take, for example, 15 cents a cubic foot or \$6 a ton.

Mr. HUMPHREY. What do you mean by the “value of the boat”?

Mr. DANIELS. I mean to make the voyage come out and cover the expenses, we have to make the value of 15 cents per cubic foot on the boat.

Mr. HUMPHREY. On information from London?

Mr. DANIELS. It is our custom to figure in London; we can figure it in New York.

Mr. HUMPHREY. You mean the value of the boat?

Mr. DANIELS. The value of the voyage, not the intrinsic value of the hull of the boat.

Mr. HUMPHREY. Then, we get right back to where we were awhile ago. You figure in New York what you are going to carry that freight on, and they tell you and they fix the rate?

Mr. DANIELS. They do not fix the rate. We figure the boats in the River Plate trade here. We figure the boats in the Brazil trade at London instead of New York. We know the value of the boat.

Mr. HUMPHREY. Why do you not do it all?

Mr. DANIELS. It is purely a custom.

Mr. HUMPHREY. Not because you have to get authority?

Mr. DANIELS. Purely our method of doing business.

Mr. HUMPHREY. Your method of doing business?

Mr. DANIELS. Yes, sir; and I do not want you—I tell you right now, the American rates are on the same parity as the English rates. The English people do not make American rates, except on the value of the business from a commercial standpoint.

Mr. HUMPHREY. Why are you so anxious to explain that. I have not asked you anything about that.

Mr. DANIELS. I see your point.

Mr. HUMPHREY. You seem to have undue anxiety to explain it before I asked you.

The CHAIRMAN. I think that statement is hardly fair.

Mr. DANIELS. I think we have covered the point, if the Chair thinks so.

Mr. HARDY. Let me ask him a question.

Mr. HUMPHREY. Wait a moment until I get through with this, if you please. I want to ask the question again, whether you first get your information from London, and upon that information fix your minimum freight rates?

Mr. DANIELS. We are instructed from London what the minimum charge is; yes, sir.

Mr. HUMPHREY. And then when you receive that information, the representatives of the different lines fix the freight rates in New York City?

Mr. DANIELS. Yes, sir.

Mr. THAYER. I would like to ask the witness a question.

The CHAIRMAN. Mr. Hardy desires to ask a question.

Mr. HARDY. I withdraw in favor of Mr. Thayer.

Mr. THAYER. You say you receive information from London that the value of the boat is 15 cents a ton?

Mr. DANIELS. 15 cents a foot; \$6 a ton, I said.

Mr. THAYER. How do you make your minimum rate from that?

Mr. DANIELS. Well, we figure in loading steamers the cubic capacity of the boat—amount of cubic cargo we can get in. It takes less, as an example—

Mr. THAYER. I understand.

Mr. DANIELS. We take the cubic contents of this room; then the question of buoyancy comes in, then how deep, how condensed this cargo would be, and in the American trade to Brazil we do not have to contend very much with dead-weight. It is only on rare occasions

that the dead-weight proposition enters. The cargoes are rather lighter, and the boats are very apt to go out at lighter than their draft. Then the proposition would be, having paid so much for this room, or at least the cost of transportation of this room, and the dangers incident, we would have to bring out the cube of this room on the basis of 15 cents a cubic foot.

Mr. THAYER. What I mean to say is, you take the kind of cargo you are going to send; you find you could not fill the whole room on account of the dead-weight—something of that kind.

Mr. DANIELS. We can not fill it with rails, of course. You would have your boat down.

Mr. THAYER. So you have to charge for the amount that you could fill with rails at 15 cents for the whole room?

Mr. DANIELS. We fill the room; boats always go out full. The Brazil cargo is of the lighter classes.

Mr. THAYER. What do you make the minimum that you get 15 cents for?

Mr. DANIELS. \$6 a ton, we will call it.

Mr. THAYER. Is that the minimum rate that you fix, or do you add to it or deduct from it in any way?

Mr. DANIELS. We would, if the class of articles was such that it could afford a higher tariff; we would add to it.

Mr. THAYER. That is the rate.

Mr. DANIELS. We would add to it if we could.

Mr. THAYER. I am asking for the basic rate.

Mr. DANIELS. For the basic rate of 15 cents.

Mr. THAYER. Then you get your basic rate from London?

Mr. DANIELS. We get the basic rate for the Brazil boats from London; yes, sir.

Mr. STEPHENS. Mr. Daniels, do you ever receive from London a minimum rate on any particular articles likely to be shipped from New York to Brazil?

Mr. DANIELS. We do, if they are in the English or German tariffs. If there are similar articles in the English or German tariffs, we do. Our tariff from New York is made up on the same basis as the English and German tariffs.

Mr. STEPHENS. Then it is a fact, as I understand it from you, Mr. Daniels, that you do receive a minimum tariff on many articles shipped from New York to Brazil?

Mr. DANIELS. On all of them.

Mr. STEPHENS. Why, I thought you said you had a minimum tariff upon the space in your boats?

Mr. DANIELS. That is for articles like American produce, kerosene, and stuff that is not in the European tariffs.

Mr. STEPHENS. Then it does not refer to all articles shipped?

Mr. DANIELS. No; they do have our tariff, which is a great many pages long. These are similar tariffs to that published from England, published from Germany, and our tariff is made up on the same cost equivalent, whether it is in pounds and shillings, or whether it is in marks and pfennigs, brought to dollars and cents, so that a man shipping any manufactured goods, where an English merchant or a German merchant is shipping the same class of goods, the American merchant has the same rate as the English merchant, has the same rate as the German merchant, for the transportation.

and it is up to them to see who can produce it the cheapest. As far as transportation goes, we give them the same rates for the same service.

Mr. STEPHENS. Is it not true, then, that the minimum rate is established by London over the conference lines from New York to Brazil, established either in bulk or by particular articles?

Mr. DANIELS. Practically, because we adopt their tariff under instructions. We adopt the English tariff. And I might add, it costs the American boats—

Mr. STEPHENS. You do not adopt it; they send to you definite instructions, do they not?

Mr. DANIELS. Yes, sir. I presume it costs the American boats running out of America fully 15 per cent higher for expenses than these same boats running out of either England or Germany.

Mr. STEPHENS. Take for example, American rails to be shipped to Brazil.

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. You have a specific rate, have you not?

Mr. DANIELS. No.

Mr. STEPHENS. You could not quote a man—right now, could you quote me a rate on so many tons of rails from New York to Brazil—to Rio?

Mr. DANIELS. I happen to be able to quote you six months on rails—

Mr. STEPHENS. Why are you able to?

Mr. DANIELS. Because we have this authority, and we find that being done on the other side.

Mr. STEPHENS. That authority is based on information received from London?

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. Then the minimum rate was practically established in London upon American rails for the next six months?

Mr. DANIELS. It is the same rate as the English rate because we cabled over.

Mr. STEPHENS. Answer my question.

The CHAIRMAN. I understand him to say it is fixed in London.

Mr. STEPHENS. That is what I understood him to say; but I would like to ask him further about it.

Mr. DANIELS. It is fixed in London, but it is the same as the English and German rates.

Mr. STEPHENS. It is fixed in London?

Mr. DANIELS. It is fixed in London on a parity with the English and German rates.

Mr. HARDY. I should like to ask you one or two questions. You say the minimum rate for American and European rates on these common articles is the same?

Mr. DANIELS. Yes, sir.

Mr. HARDY. The minimum rate is not always the rate you charge, is it?

Mr. DANIELS. We charge on our boats 10 per cent higher, and very often if we are running very full, if there is a great demand for our space, with better-class articles, we put a premium on lower produce.

Mr. HARDY. As a matter of fact, the special rates, the higher rates

that you charge for quicker transportation and all that kind of thing, you vary in this country a good deal from the English or the European rates, do you not?

Mr. DANIELS. That is our own. We do that independently ourselves.

Mr. HARDY. I know you do it independently, but is not the result of that—the effect of it—that the American rates are higher on the average than the European rates?

Mr. DANIELS. No; the mail steamers from Europe all get a premium over the tariff.

Mr. HARDY. Then, your minimum rates being the same, both for Europe and for America, they vary these minimum rates by higher rates whenever the occasion offers?

Mr. DANIELS. No; the minimum rates are made for the cheaper boats. I do not think they vary a great deal.

Mr. HARDY. Is not that all there is that has the same rate? Your cheaper boats have the same rates, but your other boats do not have the same rates?

Mr. DANIELS. Oh, no; our other boats have the same rate.

Mr. HARDY. The same minimum; but do you often use the minimum?

Mr. DANIELS. Yes; we use the minimum with very few exceptions.

Mr. HARDY. On your higher-class boats?

Mr. DANIELS. We charge 10 per cent premium, though, on most of our tariff freight on our passenger boats in addition, but the other passenger boats from the other side do the same thing.

Mr. HARDY. Is it not a fact that while your minimum rates are the same, your other rates are not precisely the same, but are higher?

Mr. DANIELS. They are absolutely the same.

Mr. HARDY. And yet you vary them according to conditions and occasions—the higher rates. What is there to cause you to make your variation the same as they have in England? Do you have any agreement about it?

Mr. DANIELS. No; there is no agreement. It is the natural course of the thing. The higher-classed boats command the freight and fill first.

Mr. HARDY. That is not the minimum freight?

Mr. DANIELS. Oh, yes; most of the cargo will pay the minimum freight, with the exception of this additional 10 per cent, which we get on most of our cargo on the fast boats.

Mr. HARDY. So that there is never more than 10 per cent difference between the freight rates charged from Europe to South America and New York to South America?

Mr. DANIELS. In Europe they get the same—

Mr. HARDY. At any rate, there is not any more than 10 per cent difference?

Mr. DANIELS. It is practically the same—no; there is no difference at all.

The CHAIRMAN. As I understand you, you fix the rate for freight by cargo boats?

Mr. DANIELS. We fix the minimum rate. We are all at liberty to take—

The CHAIRMAN. But if this freight is dispatched by a fast steamer, either from the United States or Europe, the 10 per cent is added?

Mr. DANIELS. The fast steamer generally adds 10 per cent.

The CHAIRMAN. But, you take the same commodity, with the same character of service, and is the rate higher from the United States to Brazilian points than from European points to Brazilian points?

Mr. DANIELS. No, sir; the policy of the line has been to maintain the same, and we have committed ourselves to a great many of the large influential merchants to follow that policy for a great many years, and we have followed it faithfully.

The CHAIRMAN. Is it true or not that in the South American trade our merchants are discriminated against in the matter of freight rates in favor of European merchants?

Mr. DANIELS. Absolutely not, Mr. Chairman. The berth rates are in their favor, because the European lines which operate here and the American lines in the River Plate—three of them are American lines—give the same rate, although it costs them a great deal more to furnish that service from the United States on account of the high cost of living over here.

Mr. HUMPHREY. I should like to ask you this question: Why do you maintain the same rates between Europe and South America and between this country and South America?

Mr. DANIELS. Why do we maintain them?

Mr. HUMPHREY. Yes. What is your purpose?

Mr. DANIELS. A good many of the merchants—in fact, all the merchants—have European houses, and the New York merchants want the business to go from New York instead of from Europe. You asked me a moment ago about the rails. You take the steel company; they have a whole building in London. All the man has to do is to go out and get the rates from Europe. When a large contract comes in the market he knows exactly what competition he has over there, and to secure the business out from America we give them the same rate from America as the lines will give the steel manufacturers from England or Germany; and we do that with our large commission merchants, all of whom have houses abroad. You ask any of these big houses when you call them before you, when you get through with some of the smaller ones. They all know perfectly well the conditions of business. They know exactly the state of their competition, and they come to us and they say they want American business to go from New York, and the only way they can do that is if you will give them equal terms of freight for the same haulage, and we have done it for many years.

Mr. HUMPHREY. What is the difference in rates from this country to South America, from South America to Europe and back to this country, and direct from South America to this country?

Mr. DANIELS. I do not think I quite catch your distinction.

Mr. HUMPHREY. Supposing, now, for illustration, let us take the passenger rate. That will make it a little plainer, because that is traffic in which there is travel by this way. Suppose I am in South America and want to come to the United States. What difference in rate is there if I go by Europe and then here or if I come direct from South America to this country?

Mr. DANIELS. You are speaking of starting, we will say, at Buenos Aires.

Mr. HUMPHREY. Well, any port in South America.

Mr. DANIELS. The rate from Buenos Aires to Southampton and the rate from Buenos Aires to New York is the same. In the rate from Buenos Aires to New York via Southampton there is only about \$10 difference.

Mr. HUMPHREY. What is the reason of that?

Mr. DANIELS. The friendly agreement that you speak of means that they are trying to steal all the business they can away from our boats.

Mr. HUMPHREY. You fix the agreement so that they will not—

Mr. DANIELS. And we do it the same way. We quote from Buenos Aires via New York to Southampton or to Hamburg—the same place that these chaps quote at a ridiculously low rate the other way out—proportionately the same price. We will take them for just the same difference this way, and take the loss for doing it, as long as the other fellow will bring them the other way at a cut rate.

Mr. HUMPHREY. That is, you sustain a loss by bringing them directly here?

Mr. DANIELS. We pay the Atlantic lines \$95 for the trip across the Atlantic, and we do that no matter which way they go.

Mr. HUMPHREY. I saw it stated—in fact I talked with a gentleman who stated it to be a fact—that soon after the Royal Mail took over this Prince Line the rate from South American ports—I do not remember the particular port—to this country on one of your vessels was \$150 and via Europe was \$125.

Mr. DANIELS. Mr. Humphrey, if you could name these parties that make these misstatements to you we could trace them right down.

Mr. HUMPHREY. Do you say that is a misstatement?

Mr. DANIELS. It is absolutely a misstatement.

Mr. HUMPHREY. At that time was the rate the same, whichever way you went?

Mr. DANIELS. You mean, have we changed our rates?

Mr. HUMPHREY. I mean does it cost \$125 to come by Europe and \$125 direct?

Mr. DANIELS. It costs—here are our schedules. It costs \$150 from Rio to New York direct on our passenger boats and \$100, I think, on our intermediate or cargo boats.

Mr. HUMPHREY. Then it is \$150 direct—

Mr. DANIELS. It still is \$150 direct; it has been so for many years. If your friend went as steerage he probably went through much cheaper.

Mr. HUMPHREY. This man was not my friend. He was an officer of the Brazilian Government and a man pretty high in office, too. I did not get it from any of my friends. He showed me papers, some of your advertisements in South American newspapers, and he said that statement was made in Spanish. I do not know whether he read that correctly or not.

Mr. DANIELS. There are figures [indicating] showing the different rates.

Mr. HUMPHREY. Since you seem to cast some reflection on the source of my authority, I will tell you it was an officer of the Bra-

zilian Government who told me he had made that trip, that that was the rate, and he read for me from Spanish papers——

Mr. DANIELS. I think it would be only fair to ask if you would produce him.

Mr. HUMPHREY. It is a question of fact as to whether or not it occurred. Now, then, what is the difference in distance from South America to Europe and from Europe here, starting, we will say, at one of the Brazilian ports, and direct? What is the difference in distance?

Mr. DANIELS. The distance from New York to Brazil is a couple of hundred miles shorter than the distance from Southampton to Rio.

Mr. HUMPHREY. It is practically a third farther, is it not?

Mr. DANIELS. What is that, sir?

Mr. HUMPHREY. It is approximately the same distance from South America to Europe that it is from South America here?

Mr. DANIELS. Approximately the same distance; yes, sir.

Mr. HUMPHREY. So that you have the additional distance from Europe to this country?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Then why do you not carry passengers on this short route directly for less than by way of Europe?

Mr. DANIELS. I told you that that was competition trying to cut into the business, and we had retaliated by giving the same rates from Rio via New York to Southampton as they give from Rio via Southampton to New York. It is simply competition.

Mr. HUMPHREY. What company do you have as a competitor in the passenger business between here and South America?

Mr. DANIELS. On that European route——

Mr. HUMPHREY. I mean from here——

Mr. DANIELS. From here to South America, at the moment I do not think we have any competitor.

Mr. HUMPHREY. Is not that the fact that has existed for several years?

Mr. DANIELS. The Lloyd-Brazileiro ran passenger steamers a few years ago. They charged higher rates than we did.

Mr. HUMPHREY. How long ago has that been?

Mr. DANIELS. I think they have not had a passenger boat for at least two years, or possibly three years.

Mr. HUMPHREY. In your testimony before the committee two years ago or a little over, before the Steenerson investigating committee, you testified at that time that yours was the only line that carried passengers, did you not?

Mr. DANIELS. If that is a matter of record it is correct.

Mr. HUMPHREY. It is not a matter of whether it is on record or not. It is a matter of whether you told the truth. As a matter of fact, you never have had any competition in the passenger traffic direct between here and South America?

Mr. DANIELS. Yes; we have had passenger boats advertised against us, but nobody that has been in our same class. We have maintained a very much better service, higher class and more efficient.

Mr. HUMPHREY. For the last four or five years you have had no competition?

Mr. DANIELS. It is a matter of record.

Mr. HUMPHREY. What I am trying to understand is who cut your throats; why it is you are compelled to maintain these rates when you absolutely have the field to yourselves.

Mr. DANIELS. We make the same rates in the passenger business from New York to South America as is charged from Southampton to South America, and have done so for a great many years. It amounts to very little per day for the carriage. It will compare favorably with any passenger rates anywhere in the world. It has never been changed in all that period whether competition has come or gone.

You asked me a moment ago why is it cheaper rates exist from Buenos Aires to Southampton via New York, and I answered you that they are trying to get business away from us and that we had retaliated.

Mr. HUMPHREY. In other words, although you had been carrying passengers from Europe to South America for many years, yet when you went into the business direct from here you fixed your rate exactly at what it would cost to go the other way?

Mr. DANIELS. No, sir; you must understand a plain statement. I told you our rates were the same as the Southampton rates to Buenos Aires. The distance is the same. That is perfectly plain, is it not?

Mr. HUMPHREY. Yes; but not perfectly plain how you can cross the ocean from here at the same rate.

Mr. DANIELS. I told you we paid \$95 to the Atlantic lines for carrying our passengers on a through ticket.

Mr. HUMPHREY. The fact remains that between here and South America on your boats running direct the passenger has to pay the same rate that he has to pay to go by way of Europe. That is a fact, is it not?

Mr. DANIELS. No; the European charge is a trifle more. I told you—\$10 to \$15 more. The rate is given somewhere; I haven't it with me, but it is easily obtained.

Mr. HARDY. You make the same arrangement for European traffic via New York as they make——

Mr. DANIELS. The same arrangement for European traffic via New York as they make via Southampton to New York.

Mr. HARDY. And that is competitive there?

Mr. DANIELS. That is competitive.

Mr. HUMPHREY. And it is not by agreement.

Mr. DANIELS. It is not by agreement; quite the reverse. You do not suppose we pay \$95 out of our pockets for the pleasure of bringing a passenger up at a loss?

Mr. HUMPHREY. Well, some of the statements you have made here are just as serious as that. Will you explain to the committee just what changes have taken place in the conduct of the business of your lines since this action has been brought in court. You say this agreement as set forth in Exhibit 1 has been annulled by you. Just what changes have you made in your method of carrying on business since you no longer observe this contract?

Mr. DANIELS. In New York the method of doing business consists in working in friendly relations with the other lines, in dispatching our business economically and without any waste, as I explained a

few moments ago, and in taking the liability of transportation under large contracts jointly.

Mr. HUMPHREY. Just where does that vary from what you were doing under the contract?

Mr. DANIELS. I would have to make a study of that, sir, to find out. I can not answer offhand.

Mr. HUMPHREY. You do not know what changes have been made in the business, then?

Mr. DANIELS. I do not think I could answer offhand.

The CHAIRMAN. There is not any essential difference then, is there?

Mr. DANIELS. In the method of handling in New York, no essential difference.

Mr. HUMPHREY. You are running just as you did when this agreement was in force?

Mr. DANIELS. That is a legal question, whether the agreement is still in force. We are operating on the same general principles.

Mr. HUMPHREY. As I understand you, you dissolved this agreement so as to escape liability, but outside of that you are still continuing the same as you were?

Mr. DANIELS. We did not dissolve this agreement to escape liability. I repudiate that. We abrogated it apparently for reasons—because we wanted to—reasons which had nothing to do with anything in America.

Mr. HUMPHREY. The reason you wanted to was because of the fact that you had very strong intimations as to what you had better do—

Mr. DANIELS. I disagree with you entirely. I think we are entirely correct in our entire methods of business.

Mr. HUMPHREY. Did you dissolve this agreement before the suit was brought?

Mr. DANIELS. My understanding personally was that the agreement was dissolved back there when that notice of termination was given. I may be wrong, but that is my understanding.

Mr. HUMPHREY. When did you first know about this agreement, a copy of which is set forth in Exhibit 1?

Mr. DANIELS. When did we first know about it?

Mr. HUMPHREY. Yes.

Mr. DANIELS. We must have known immediately after it was entered into.

Mr. HUMPHREY. As the agent of the company, of course, you would know immediately after it was entered into?

Mr. DANIELS. We would know immediately after it was entered into.

Mr. HUMPHREY. How long did you operate under this contract?

Mr. DANIELS. My understanding is we only operated for a year.

Mr. HUMPHREY. You still fix freight rates by agreement, do you not?

The CHAIRMAN. Have you been present all the morning, Mr. Humphrey?

Mr. HUMPHREY. Yes.

The CHAIRMAN. I took him over each section of that contract, and he said that they did. I would not like him to deny anything that he said.

Mr. HUMPHREY. I think he did say that. You still also have agreements as to the date of your sailings and as to the number of the sailings that each company shall have?

Mr. DANIELS. I think I have already testified to that, that I do not think there are any such agreements.

Mr. HUMPHREY. Well, are there?

Mr. DANIELS. I understand there are no agreements.

Mr. HUMPHREY. Do you have a gentleman's understanding about it?

Mr. DANIELS. We work in friendly relations. The result is that.

Mr. HUMPHREY. Well, you know about these rebate agreements. How long have you known about the use of rebate agreements on the freight coming from South America?

Mr. DANIELS. Ever since they were published.

Mr. HUMPHREY. How long has that been, about?

Mr. DANIELS. Well, they had the date on the agreement. I think copies were sent us at the time for our information.

Mr. HUMPHREY. Now, as I understand, your method is that you meet, the different representatives meet once a week and consult about the business, and that you all work in harmony?

Mr. DANIELS. We meet; the representatives of the lines meet once a week. They file reports at that time of the steamers that are loading on the berth; the amount of cargo they have secured for them; the amount of contract cargo that each one of the steamers is lifting; the contracts that have been made. I think that covers about all their procedure. They record those. I think there is very little discussion. If there are any cables to be made up, or any matter of interest requires attention, that is attended to.

Mr. HUMPHREY. You just go ahead continuing business the same as you have for many years?

Mr. DANIELS. Whenever we have been in friendly accord that is practically the procedure; yes, sir.

Mr. HUMPHREY. Now, then, there was a gentleman on the witness stand yesterday who testified, as I understood him, that the Prince Line and your line and the other lines in the conference had these agreements: First, that you agreed on freight rates; second, that you agreed on the number of vessels that each one was to put in the business; third, that you divided up the different ports to which you were to sail; fourth, that you had pooling arrangements; fifth, that you had an agreement that if any competitor outside attempted to enter the business you would use what you call "fighting ships" to drive him out of the business, and then if you succeeded you divided up your losses, that you pooled your earnings and divided your profits. Is that statement correct?

Mr. DANIELS. That statement is incorrect.

Mr. HUMPHREY. Wherein is it incorrect?

Mr. DANIELS. Practically the whole of it.

Mr. HUMPHREY. Then you do not agree upon freight rates? Let us see now—

The CHAIRMAN. He said that, squarely.

Mr. HUMPHREY. I want to hear what he says about it now.

The CHAIRMAN. I would not want him to contradict it.

Mr. HUMPHREY. This is the testimony we had yesterday.

The CHAIRMAN. He has said already this morning, if I understood him, that the freight rates are the same; that they are fixed by agree-

ment; that if there is any variation in these conferences they may readjust that; or, if one line changes the rate on a commodity from the agreed rate, or the rate that has been observed by them, they are given notice, like this notice here. That is, as I understood him, the *modus operandi* between them.

Mr. HUMPHREY. I want to ask Mr. Daniels, first, how long have you been connected with the firm of Rusk & Daniels?

Mr. DANIELS. Thirty-two years.

Mr. HUMPHREY. And during all that time they have been the agents or representatives of the Lamport & Holt Line in New York?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, Mr. Daniels, you were before the investigating committee—that is known as the Steenerson committee—sometime about May, I think, May, 1910. During that investigation did you testify that there were no written agreements or understandings between these lines or to the operation of their vessels, and that you had never heard of any such agreements?

Mr. DANIELS. Whatever is a matter of record is the truth.

Mr. HUMPHREY. What you testified at that time is true?

Mr. DANIELS. It is true; yes, sir.

Mr. HUMPHREY. Then it can not be that you heard immediately about this contract, which appears of date of 1908, in which you said you must have known about soon afterwards. How do you reconcile the statement now that you knew about that statement soon after it was printed with your testimony then that you had never heard of any written contract or agreement between these lines?

Mr. DANIELS. As I have not the testimony before me, I can not recall, but whatever is a matter of record is the truth.

Mr. HUMPHREY. You would know, if you made a statement of that kind, if it was not a fact?

Mr. DANIELS. I made no statements that were not facts.

Mr. HUMPHREY. Do you think it was possible when you were asked the question direct: First, whether there were any written agreements between these companies in existence; and you said there was not; and then you were asked if you had ever heard of it, and you said you had not; you were mistaken?

Mr. DANIELS. Whatever is on record is the truth. I do not know what is on record.

The CHAIRMAN. Turn to his testimony—I think that would be fairer—and call his attention to that.

Mr. DANIELS. You might give me the page, Mr. Humphrey, I have a copy of it here.

The CHAIRMAN. It is now 25 minutes of 1 o'clock. We will take a recess until 2 o'clock.

AFTERNOON SESSION.

Mr. DANIELS. Mr. Chairman, since the session this morning an incident has happened on account of which, to make things perfectly straight, I should like to elaborate a little in detail. Coming over last evening to Washington on the train, so as to have the points or facts, the actual facts existing clearly understood, I discussed the facts with the Prince Line agent and his counsel, and I stated to them that my understanding was that there was no agreement in existence.

They understood that the old agreement there was still operative in Government suit, Exhibit 1, so they cabled last evening stating my understanding and asking for a reply from the Prince Line representatives in Newcastle, and that reply came in while we were at lunch to-day, and it appears that they do understand it is in existence, the Prince Line understands that it is. I am, of course, testifying for my line from my own understanding. My own understanding is as I have testified this morning.

The CHAIRMAN. Have you that paper?

Mr. DANIELS. Mr. Kirlin, the counsel of the Prince Line, has the advice he sent last night and the reply that came this morning, I think.

Mr. KIRLIN. I have the cable I sent last night.

The CHAIRMAN. Let us understand what that is.

Mr. KIRLIN. That is the cable I sent last night to Mr. Knott, manager of the Prince Line, after the conversation with Mr. Daniels, to which he refers. The cable is as follows:

Private Knott,

Newcastle-on-Tyne.

Daniels, in testimony Thursday here, understands no written agreement between three Brazil lines now in force. Cable immediately whether agreement, February 14, 1908, terminated. If so, notify when, and by whom.

KIRLIN,

New Willard, Washington.

To which I have just received this reply:

KIRLIN,

New Willard, Washington:

As far as we are aware, agreement not been terminated except so far as pooling agreement and rebate system downward concerned.

There is no signature, but, of course, it is from Mr. Knott.

Mr. HUMPHREY. How did you happen to send that cablegram?

Mr. KIRLIN. Mr. Daniels asked me on the train what our understanding was as to whether this agreement, or any part of it, was still in force—this agreement No. 1.

Mr. HUMPHREY. Did he express the view that he was still uncertain whether that agreement was in existence, or whether it was binding?

Mr. KIRLIN. Oh, he said his understanding from his principal was that the agreement, not only the pooling agreement, but the other one also, had lapsed or were no longer in force, and these telegrams were sent by us, as our client understood they were in force in certain respects. This telegram was sent in order to clear it up. I presume you do not care about having the document, do you?

Mr. HARDY. No; the copy of it is sufficient.

The CHAIRMAN. Mr. Daniels, is there any kind of arrangement, either in the form of a written agreement or otherwise, between the Booth Line and the conference lines with reference to the Amazon trade? If so, what is that arrangement or agreement?

Mr. DANIELS. Nothing that I know of, sir.

The CHAIRMAN. Do the conference lines enter ports in the north Brazilian trade?

Mr. DANIELS. The conference lines come direct from Pernambuco or pass Pernambuco, which is the easterly, the farthest east, point on South America, on a direct short route through the West Indies to New York. The natural division with the ports above that is one of

navigation. I was figuring only the other day for an excursion of the Boston Chamber of Commerce to let them stop at Para on their excursion, and I found it would take us nearly 800 miles out of our course, three days' steam to Rio de Janeiro; consequently it is a natural division, if you so understand; Pernambuco being the eastern point, the economical way to serve that trade is to make the route direct to that point and then turn, and from there down the coast ports are consecutive.

Mr. HUMPHREY. What port is that?

Mr. DANIELS. Pernambuco.

Mr. HUMPHREY. The one you said would be about——

Mr. DANIELS (interposing). Para, at the mouth of the Amazon.

Mr. HUMPHREY. How far do you say you figure it would be out of your way?

Mr. DANIELS. 800 miles. It is the two sides of a triangle, Mr. Humphrey. The base is the direct line, and the deviation is the two other sides of the triangle.

Mr. HUMPHREY. Is it not less than 400 miles in a direct line from the pathway of your ship down to Para, so that it would be less than 800 miles to sail directly down and then sail directly up again and pick up your passengers?

Mr. DANIELS. I shall be very glad to have our navigating office figure it out.

The CHAIRMAN. That is collateral to what I was asking the witness, and I do not care anything for it at this time. Now, the Booth Line does sail to north Brazilian ports, does it not?

Mr. DANIELS. The Booth Line serves the Amazon district and the ports on that little strip of South America adjacent to the Amazon and to the eastern extremity of South America.

The CHAIRMAN. And the conference lines from Pernambuco to points south, on the east coast of South America?

Mr. DANIELS. The conference lines serve from Pernambuco to Santos, from Santos to Rio Grande do Sul and Porto Alegre; that is another natural division of ports: they are all shallow-water ports, and a different class of boats has to do the business. In other words, our New York boats are too deep to serve ports south of Santos.

The CHAIRMAN. Understand, now, my inquiry is whether or not there is any understanding, directly or indirectly, between the conference lines and the Booth Line, that the Booth Line will not engage in the trade of South America south of and including Pernambuco?

Mr. DANIELS. I do not think there is any formal agreement. It is a natural sequence, but no formal agreement at all, Mr. Chairman.

The CHAIRMAN. You say any formal agreement. Is there any understanding between them that the Booth Line will not engage in that trade, and in turn that the conference lines will not engage in the north Brazilian trade?

Mr. DANIELS. There is no understanding more than a general commercial understanding that if we went out of our way to go into their territory, which would not be a business proposition for us to do on account of the deviation——

The CHAIRMAN. Lose sight of the commercial aspect of it. I want to know the facts. Is there any such understanding between you?

Mr. DANIELS. If there is such an unwritten understanding it is the growth of years. The Booth Line has served that territory for

40 years by themselves, and we have served our territory for 40 years, without clashing.

The CHAIRMAN. Have you said to them, "You keep off of our preserves and we will keep off of yours?"

Mr. DANIELS. Not to my knowledge has there been any such understanding.

The CHAIRMAN. Have you information to that effect?

Mr. DANIELS. No; I have no information of anything of that direct character.

The CHAIRMAN. You have no information that there is an understanding of that sort, a tacit understanding, have you?

Mr. DANIELS. No; but if the Booth company wanted to go to Pernambuco on one of the southern ports, I think by courtesy they would ask us if we had any objection to their landing at the port; in fact, they have done so in several instances.

The CHAIRMAN. And if they argued it in any way, you would find it convenient—

Mr. DANIELS (interposing). I think we have always said it did not make any difference as long as it did not establish any precedent.

The CHAIRMAN. You would find it convenient, then, would you not, to have your boats go to the north Brazilian ports?

Mr. DANIELS. Not unless we considered it to our advantage, or considered it an unfriendly act—their coming into our territory.

The CHAIRMAN. You would regard that as an unfriendly act, would you not?

Mr. DANIELS. No; we have allowed it. They can load for Parahiba. I think Maceio and Parahiba are only a few miles from Pernambuco. They can load from those ports, and we have loaded to them different times—the intermediate ports.

The CHAIRMAN. In recent years?

Mr. DANIELS. Yes.

Mr. AYRES. You said you made no objections, that you granted the permission if it did not create a precedent?

Mr. DANIELS. I mean by that, if we did not overlap.

Mr. AYRES. What you meant by not creating a precedent was that they should not continue the practice, was it not?

Mr. DANIELS. Yes; if they did not want some of our territory: yes, sir.

Mr. HUMPHREY. Why should they ask your permission?

Mr. DANIELS. I consider it common courtesy. We have been loading for 40 years in certain territories. If we want to go outside of the territory it would be common courtesy to ask the other lines.

The CHAIRMAN. You seem to have been mistaken this morning as to the conditions in the Brazilian trade.

Mr. DANIELS. No; I am not mistaken, Mr. Chairman.

The CHAIRMAN. As to the fact that this agreement of February 14, 1908, is now in force. May you not be mistaken as to the fact as to whether or not there is an express or an implied agreement between the Booth Line and the conference lines with reference to the north Brazilian trade?

Mr. DANIELS. I am not mistaken in my own position. My understanding is just as it was this morning, that the agreements are not in effect.

The CHAIRMAN. You and I construe these—

Mr. DANIELS (interposing). My information is from my principals. There may be a misunderstanding between them. My information is as I gave it to you this morning.

Mr. HARDY. When you gave permission to this Booth company to enter into your territory, the very request for the permission was implying an understanding or agreement, was it not?

Mr. DANIELS. Why, the fact we had been doing business side by side for so many years would naturally—

Mr. HARDY (interposing). Do you not rest in absolute assurance that these other two companies are going to respect each other's territory?

Mr. DANIELS. I should say so; most assuredly.

Mr. HARDY. That assurance has grown up through long practice, has it not?

Mr. DANIELS. Yes; of standing.

Mr. HARDY. Particularly such things as asking permission to go into ports in each other's territory?

Mr. DANIELS. Yes; I would not think of going into one of their ports without calling and asking them if they had any objections.

Mr. HARDY. You grant them that permission, providing it does not establish a precedent. That shows an understanding?

Mr. DANIELS. That showed they were coming into our territory.

Mr. HARDY. Does not this very act show a mutual understanding?

Mr. DANIELS. Yes; I consider such an understanding does exist from years of operation.

Mr. HARDY. And from mutual conduct?

Mr. DANIELS. From mutual conduct; yes, sir.

The CHAIRMAN. In other words, it has grown up into an understanding; that is, an unwritten understanding or agreement, growing out of the course of business through many years past?

Mr. DANIELS. That is the way I look at it, Mr. Chairman.

The CHAIRMAN. When Mr. Purcell was on the stand yesterday, also Mr. Hitch, they spoke of agreements between shippers and the conference lines, and one of those agreements was put in the record. You have agreements—I am speaking about the conference lines—with shippers, have you not?

Mr. DANIELS. You are speaking of the River Plate trade—contracts in the River Plate trade?

The CHAIRMAN. The Brazil trade.

Mr. DANIELS. I think we have. I do not think they were put in the record, Mr. Chairman. The one you have in the record is a Buenos Aires contract.

The CHAIRMAN. Yes; the one in the record pertains to the Argentine; but are not similar agreements in force between shippers and the conference lines in reference to the Brazilian trade?

Mr. DANIELS. Not in the same form; no, sir.

The CHAIRMAN. But there are the same agreements between them?

Mr. DANIELS. No; I do not think in the Brazilian trade; we have specific contracts for cargo, but no contracts similar to those you have reference to in the River Plate trade.

The CHAIRMAN. Have you any contracts at all?

Mr. DANIELS. Yes; we have a number of contracts.

The CHAIRMAN. Are they in writing?

Mr. DANIELS. Yes.

The CHAIRMAN. Have you the form of that contract?

Mr. DANIELS. No; it is based on an exchange of letters.

The CHAIRMAN. You have no formal contract?

Mr. DANIELS. No; we have no formal contracts, so to speak, in the Brazilian trade, such as they have in the Plate.

The CHAIRMAN. Now, understand me, I do not want to play on terms.

Mr. DANIELS. No; you are quite right; I want to put it on a business basis.

The CHAIRMAN. You are a business man and you know the difference between a contract—a formal contract in writing—and an understanding made up by course of correspondence, and I want you to answer with that in view.

Mr. DANIELS. I am answering. The only difference between us is a little misunderstanding of the two characters of contracts.

The CHAIRMAN. Explain what kind of contracts you have with reference to your shipments in the Brazilian trade.

Mr. DANIELS. In the Brazilian trade we have a contract for locomotives with the Baldwin Locomotive Works; we have a contract with the Singer Sewing Machine Co. for their goods; we have a contract with the Barbour Asphalt Co. for their goods; and we have a contract with the Rio Tramway Co. for their shipments.

The CHAIRMAN. Have you any contract with any other sewing-machine company for their goods?

Mr. DANIELS. I think not. I think there are a few others. There are those few contracts in the Brazilian trade.

The CHAIRMAN. Have you a contract with the New Home Sewing Machine Co. for their goods?

Mr. DANIELS. I think not.

The CHAIRMAN. Have you any with the International Harvester Co.?

Mr. DANIELS. No, sir; they do not ship to Brazil.

The CHAIRMAN. Have you a contract with the United States Steel Corporation?

Mr. DANIELS. We only have a specific contract for some specific line of goods. I do not know whether we have one running now. We have contracts for 25,000 tons of rails. We may have one now for 2,000 or 3,000 tons. I think that is the only contract on our record. The others have been fulfilled. We have car contracts.

The CHAIRMAN. Please explain to the committee the nature of those contracts. Take for instance the one with the United States Steel Corporation.

Mr. DANIELS. That would be a specific contract for a specific amount of freight at a specific rate. The last contract I have in mind was for 25,000 tons of rails.

The CHAIRMAN. You have no continuing contract with them, have you?

Mr. DANIELS. We have no continuing contract at all, sir.

The CHAIRMAN. You make a new contract to cover each specific shipment, do you?

Mr. DANIELS. No; we only contract for large quantities. If their shipments are small they pay the tariff rate, make a contract as I explained to you for berth boats, as they are loading with each line, separate contracts.

The CHAIRMAN. But for the large shipments you make them a special or a reduced rate, below the regular tariff rate, do you not?

Mr. DANIELS. No, sir. Take rails, there is not a fixed tariff; it fluctuates, but if we made a contract to-day with the steel company for 50,000 tons of rails, and anybody else had 10,000 tons of rails, we would make the same rate for the same contract. There is no discrimination.

The CHAIRMAN. There is no discrimination in favor of the large shipper as against the small shipper.

Mr. DANIELS. There is no discrimination in favor of the large shipper against the small shipper.

The CHAIRMAN. I understood you to say you had a contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We have a contract with the Singer Sewing Machine Co. running, I think, through this next year, for all their goods at a fixed rate.

The CHAIRMAN. Is not that a rate less than your regular tariff rate?

Mr. DANIELS. Have you the tariff before you here?

The CHAIRMAN. No; we have not.

Mr. HUEBNER. You did not send us the Brazilian tariff.

Mr. DANIELS. I think we did. Yes; I am sure we did.

At this point Dr. Huebner handed a paper to the witness.

Mr. DANIELS. This is not the one. Our contract is higher than those rates. If you will allow me to ask my colleague, Mr. Gerhard—I do not think I remember exactly what the rate is. [To Mr. Gerhard:] Was it 20 cents a thousand?

Mr. GERHARD. I do not know the present rate.

Mr. DANIELS. In any case, whatever contract we have with the Singer Sewing Machine Co. for the year is in the neighborhood of 20 cents.

Mr. GERHARD. It was made some time ago.

Mr. DANIELS. It is immaterial. I can look it up for you. We would give anybody else the same rate on a similar contract; no discrimination whatsoever.

The CHAIRMAN. Would you give the New Home Sewing Machine Co. the same rate that you give the Singer Sewing Machine Co.?

Mr. DANIELS. We would, for a contract; yes, sir.

The CHAIRMAN. Do you do it?

Mr. DANIELS. I do not know whether they ship by us.

The CHAIRMAN. What?

Mr. DANIELS. I do not know whether they ship at all, to answer the direct question; but any sewing-machine company could make a contract with us in the same way.

The CHAIRMAN. Could you ascertain and send us the rates charged the United States Steel Corporation and the Singer Sewing Machine Co.?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. And the New Home Sewing Machine Co., if they do ship via your line?

Mr. DANIELS. Yes, sir; we will be very glad to do that.

The CHAIRMAN. The contracts by these various shippers with your lines bind them to use your line exclusively?

Mr. DANIELS. I think that the Singer contract is for all of their shipments.

The CHAIRMAN. Will you be kind enough to furnish a copy of your contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We will be glad to; yes, sir.

The CHAIRMAN. Also with the other companies to which you referred.

Mr. DANIELS. With pleasure.

The CHAIRMAN. I think we called for them, and you will see if you have them. I call your attention to the fact that this clause of the subpoena duces tecum reads:

And the said Lorenzo Daniels is hereby commanded to make diligent search for and produce any papers, data, or documents whatsoever in his possession, under his control, at his command, or that can be obtained by him, covering a period of three years next before this date, touching the following:

(1) Any agreements (originals, copies, or in the form of correspondence or other data) between the Lamport & Holt Line and any other steamship company or companies operating between (a) New York and Brazilian ports; (b) New York and La Plata, Montevideo, Buenos Aires, and Rosario, or between New York and any of these ports, and having for their purpose the fixing of rates or tariffs, the giving of rebates, special rates or privileges, the fixing of dates of sailing, the pooling of earnings or losses, the dividing of business or territory, or providing for the payment of deferred rebates to shippers.

Mr. DANIELS. We will be glad to send you a copy of the contract, but none of them correspond to that. We give no rebates, nor do we give any privileged contracts at all.

The CHAIRMAN. We would like to see a copy of the contracts; they will speak for themselves.

Mr. DANIELS. We would be glad to furnish them, sir.

Mr. STEPHENS. Mr. Daniels, is the contract with the Singer Sewing Machine Co. for any less than the open rate that you charge on similar goods?

Mr. DANIELS. I tried to ascertain by looking at the tariff you have there—our present tariff is apparently changed. I think our contract is higher than that.

Mr. STEPHENS. You can not answer that?

Mr. DANIELS. I can not answer that without looking it up.

The CHAIRMAN. I understand the tariffs you sent us are the tariffs in force now?

Mr. DANIELS. They were in force when we sent them to you.

The CHAIRMAN. Are they in force now?

Mr. DANIELS. Well, practically; we constantly change the different rates on different articles, and I will not be sure whether we made any change in the tariffs as a whole since the date we sent it to you. It is possible we have. I will be very glad to look that question up and advise you.

The CHAIRMAN. Well, is it not a fact that that same printed tariff is issued by the other conference lines?

Mr. DANIELS. The same printed tariff is used by all the lines; yes, sir.

The CHAIRMAN. And they are identical in form and in rates?

Mr. DANIELS. Identical in form and rates; yes, sir. They are made up by a committee of the different lines revising them.

The CHAIRMAN. In conference?

Mr. DANIELS. In conference, as I told you this morning.

The CHAIRMAN. Where are they made in fact, in London or New York?

Mr. DANIELS. The European tariffs are transposed to dollars and cents in New York.

The CHAIRMAN. But as they come to you from London they are in pounds, shillings, and pence?

Mr. DANIELS. Either that or they come to us from Germany. I think lately we are receiving them in the German language.

The CHAIRMAN. But you simply translate them into our terms?

Mr. DANIELS. To the equivalent in dollars and cents.

The CHAIRMAN. Otherwise they are fixed either in London or in Germany?

Mr. DANIELS. Yes, sir; we adopt the same rates.

The CHAIRMAN. Tell us a little more in detail about the work of this committee—just what you do, and what your powers are, and all about it.

Mr. DANIELS. It is pretty difficult to convey to you very much of an idea, from the fact that it has not been necessary for the principals to come together for over a year. I have not attended a conference in a year. My colleagues make the reports of the amount of cargo—the division of contracts—and qualify in this work of adaptation of rates, etc. There are no discretionary powers in the New York conference that it has been necessary to act upon. I do not think we have any—we cable—

The CHAIRMAN. You say you have no discretionary powers?

Mr. DANIELS. Practically no discretionary powers.

The CHAIRMAN. You get your orders from the conference abroad?

Mr. DANIELS. From the conference abroad.

The CHAIRMAN. So that those cables come interchangeably to all the conference lines here?

Mr. DANIELS. They come to our conference office.

The CHAIRMAN. Yes.

Mr. DANIELS. We have a chap who circulates them around to the other lines, and if any one of the lines want to send a cable we generally send for him, and he takes our copy of it and submits it to the others for their approval and signature.

The CHAIRMAN. All of it is sent?

Mr. DANIELS. All of it is sent, so that we all know it comes through that way.

The CHAIRMAN. And when a cable comes from abroad it is treated by all conference lines jointly.

Mr. DANIELS. Yes.

The CHAIRMAN. Is it not also a part of the duty of this committee and conference to keep track of the traffic and distribute it as nearly as may be between the different conference lines?

Mr. DANIELS. No; we do not distribute the traffic at all in New York, except contracts that we have taken jointly, with a third liability to carry and transport.

The CHAIRMAN. Are there any contracts made with these shippers whom you have mentioned and others that are not joint contracts; that is, I mean joint on the part of the conference lines with the individual shipper?

Mr. DANIELS. Any contract that is made for a specific sailing, or up to a period of three months, within which period generally the boats are named; those contracts would be made, each line for its own steamer, irrespective of any other line. If it was an extended contract, or a contract in very large volume, where the other lines join, it would be made conjointly. A yearly contract, such as the Singer contract, covering a year, I think, is made conjointly—made by one in behalf of all.

The CHAIRMAN. Suppose there is a consignment via, say, your line and there is a loss in shipment—a considerable loss. Would that fall on your line alone, or the conference lines?

Mr. DANIELS. Absolutely on our line alone.

The CHAIRMAN. Each one—

Mr. DANIELS. Each one takes the profits and losses alone, individually.

The CHAIRMAN. I understood you, in answer to questions asked this morning by Mr. Humphrey, to say that American shippers receive the same treatment as European shippers, on the same class of goods; that there is no discrimination against our shippers and in favor of shippers of light goods from Europe?

Mr. DANIELS. That is my understanding of the policy, and, furthermore, you will note that some of our rates—

The CHAIRMAN. I do not like you to use the word "policy"; state what the fact is.

Mr. DANIELS. That is the fact. We live up to it, and I also mentioned in the River Plata trade that our tariff was made up in conjunction with a committee from one of the shipper's associations.

The CHAIRMAN. We have correspondence, I will say to you, frankly, from the manufacturers of laundry machinery, also from exporters of locomotives, in which they complain against this alleged discrimination in favor of European manufacturers in the same class of goods, and by the conference lines.

Mr. DANIELS. Mr. Chairman, we have just as many complaints in Europe against what they call the "cheap rates" that we are carrying from America—many more complaints than come from America correspondingly the other way. I really think that we have been told that our rates on locomotives from America were much below the European rate. An instance like that at once causes a great deal of friction, and the European rate generally equalizes itself to the rate we give from here; sometimes it happens the other way.

Mr. HARDY. What do you mean by "generally equalizes"? If your rates were the same this rate sheet would show it to be the same, would it not?

Mr. DANIELS. Locomotives in the tariff take a special rate, the same as on rails, and this, that, and the other; but Europe is just as jealous of our giving American shippers cheaper rates as the American shippers are jealous of our giving the European shipper the cheaper rates.

Mr. HARDY. I understand that, but how would it happen that a rate on rails would be understood if you had such a question here? Would it not be apparent whether they were the same or not?

Mr. DANIELS. Yes; but rails and big classes of freight, like car materials and such things, run to 10,000 tons at a time, and that is an open rate and not in our tariff at all. It fluctuates and changes.

If we change here for any reason or on any demand we would cable what the demand was for a rate here; if they changed on the other side we have instructions to give our merchants here the benefit of the change, if in their favor.

Mr. HARDY. As a matter of fact, you do not have any uniformity of rates on rails.

Mr. DANIELS. Rails and car materials, our tariff tells you—

Mr. HARDY. I thought you said as to rails there was no uniformity of rates.

Mr. DANIELS. Only from day to day; it is not in our printed tariff.

Mr. HARDY. So that if you ship 10,000 tons of rails this week to New York and 10,000 tons next week from Liverpool, the prices may be very different?

Mr. DANIELS. They may be higher or lower; England may be higher than New York or vice versa.

Mr. HARDY. So that under those circumstances you hold that the difference between the rates given does not show any difference?

Mr. DANIELS. Absolutely not. Our agreement with the steel company is that we will give them European rates from America.

Mr. HARDY. You have no European rates, have you; that depends on the particular transaction.

Mr. DANIELS. We cable.

Mr. HARDY. Then your company exercises discretion, if you have a big shipment in America or Europe, and charges either more or less.

Mr. DANIELS. They keep good faith, and nobody keeps better track of the situation than the Steel Corporation.

Mr. HARDY. You use discretion to charge more this week than last.

Mr. DANIELS. We have no discretion in the matter of those big contracts.

Mr. HARDY. Who does have the discretion—the rates are not fixed?

Mr. DANIELS. No; we cable each time for the rates, at least.

Mr. HARDY. The European people exercise the discretion to determine what your rates will be upon a shipment from this point, this year, or this week?

Mr. DANIELS. Yes; but they guarantee that the rates will not be higher than they are charging the same people on the other side.

Mr. HARDY. Suppose they have no people seeking a shipment this week from Liverpool, but you have somebody from New York who wants a shipment of rails?

Mr. DANIELS. Those rails are all international shipments to Brazil or Argentina for 10,000 tons, and they always put the order into the international market where they can get it the cheapest.

Mr. HARDY. And still in that particular instance the European head fixes the rates that you are going to charge on a shipment from here.

Mr. DANIELS. But the offices of all the South American railway companies, I am sorry to say, with the exception of one, possibly, are in Europe, and the steel company, when they make their bids on rails, make it to their London office.

Mr. HARDY. I understand your proposition is that a difference in rates does not show discrimination, because they are at different times.

Mr. DANIELS. No; there is no discrimination at the same time.

Mr. HARDY. We have got a shipment from Liverpool this week and a shipment from New York next.

Mr. DANIELS. If they are booked at different times the markets may be different.

Mr. HARDY. The rate of freight does not show any discrimination?

Mr. DANIELS. Absolutely none at the same time any quotation would be made.

Mr. HARDY. You could not show discrimination, then. You might charge twice as much here and still it would not be discrimination?

Mr. DANIELS. No; it would be simply a fair quotation—a fair quotation on the day it was made to both parties.

Mr. HARDY. Under your idea you could make your low-rate shipments all from Liverpool and your high shipments here from New York, and still there would be no discrimination?

Mr. DANIELS. The steel company takes jolly good care——

Mr. HARDY. Your principle would declare that policy and still there would be no discrimination?

Mr. DANIELS. It is an impossible position.

Mr. HARDY. But, if you did do it, it would be no discrimination under your testimony, would it?

Mr. DANIELS. Yes, but we have promised to protect these big people and give them the same rates that their competitors from abroad have.

Mr. HARDY. Under your testimony there is no discrimination, but that does not mean there is no difference in rates?

Mr. DANIELS. Only market differences, from day to day; that is all.

Mr. HARDY. Who could say that there was a discrimination if the rate here was 20 per cent higher this week on a shipment from New York than it was last week on a shipment from Liverpool?

Mr. DANIELS. Mr. Hardy, if the business would be sold—of course, no business in rails is sold one week and shipped the next. It takes a process of several months to roll them and make shipment. If a railway asked for a tender on, we will say, 10,000 tons of rails to be shipped in three months, the rates on that tender at the time the tenders were put in would be given the same from America as from Europe. If a week later another order came in the market—the market conditions vary either up or down, and the rate might be different from what it had been the week preceding, but still the parity would be maintained—the same parity of rate.

Mr. HARDY. You mean the Brazilian order is directed in such a way that you are required to give your rates both from North America and Europe on that shipment.

Mr. DANIELS. They go into the open market and get them from America, England, and Germany.

Mr. HARDY. Do they ever ask you the rates from both European and American ports?

Mr. DANIELS. Oh, no.

Mr. HARDY. When they have made a trade they have made it either with one or the other?

Mr. DANIELS. Yes; but tenders or quotations are made in advance of actual business. The business is generally sold on our quotations, and the tenders for business are put in on our quotations and refusal.

Mr. HARDY. Tenders put in by whom?

Mr. DANIELS. Put in by the steel sellers—the steel sellers from all parts of the world.

Mr. HARDY. You mean the railway company of Brazil will ask for an offer of rails?

Mr. DANIELS. The railway of Brazil advises buyers in Berlin or London, as a rule, which is where the railway owners are located and where capital is developing that country, when they want 10,000 tons of rails, and they will put the quotations to all rail manufacturers, asking them to make a tender or price.

Mr. HARDY. Both in Europe and in America?

Mr. DANIELS. C. i. f., which means cost, insurance, and freight. The people in Europe, a great many, will go to the German lines for a rate and refusal, good while that tender is in. The English lines will go to English offices and get a refusal; the American lines will go to American offices and get a refusal, and the manufacturers come to us and ask a rate from America.

Mr. HARDY. Your statement is that you give the American seller and the English dealer and the German seller and the German dealer—

Mr. DANIELS. The same rate of freight.

Mr. HARDY. On that particular, specific proposition?

Mr. DANIELS. That is my understanding of it; yes, sir.

The CHAIRMAN. I want to ask a question in relation to this matter. I have a letter in my hands, dated Cincinnati, Ohio, and signed by Leonard S. Smith, who is the vice president and manager of the American Laundry Machine Co. (Exhibit No. 32), in which he states as follows:

EXHIBIT 32.

THE AMERICAN LAUNDRY MACHINERY Co.,
Cincinnati, Ohio, December 30, 1912.

Hon. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.*

DEAR SIR: I have your esteemed favor of the 27th instant, inviting me to appear before the House Committee on Merchant Marine and Fisheries on January 7. I regret to say that at that particular time I have some very important meetings to attend that will make it impossible for me to accept your invitation. If it could be arranged for me to appear later, I would be very glad to do so; and if your committee is to remain in session up to the 15th, and it could be arranged, I would be very glad to appear and tell what I know in regard to these rates, based on actual experience that we had in the transaction referred to in my letter to Mr. Redfield. If, however, your committee will not be in session at that time and you wish the facts in regard to this transaction, I am very glad to give you the following statement:

Early in the year 1910 we sold a very large laundry outfit to some parties in Buenos Aires, who intrusted to us the buying of miscellaneous equipment that was not embodied in our manufacture, and included in this miscellaneous equipment was the power plant. One of the directors of the company that was buying the plant was the representative in Buenos Aires of A. Borsig, a large boiler and engine manufacturer of Tegel, Germany, a suburb of Berlin, and we were asked to take their figures in connection with others from manufacturers in this country.

When the first proposition was received from the company with whom we eventually placed the order we noted that it showed a freight rate on the two boilers that were embodied in the transaction of about \$750 freight from New York to Buenos Aires. We told the concern, who had obtained their rates of freight from the steamship line direct, that we thought they could do better

on the matter of freight by taking the matter up with a firm of forwarding agents in New York, through whom we had arranged to ship our goods, and upon their doing so they received a price of \$493.36 for the carrying of these two boilers from New York to Buenos Aires. At the time the promulgated rate on these boilers from Hamburg to Buenos Aires was \$532.16, as we have since ascertained. The concern at Tegel quoted us a price on these boilers f. o. b. works, and then they quoted us a price for seaworthy packing and freight c. i. f. Buenos Aires per boiler of 800 marks, or 1,600 marks for the two boilers. This included seaworthy packing and the freight from Tegel to Hamburg or other German seaport and the ocean freight from the German port to the port at Buenos Aires and also the insurance. A total was then made of all the items embodied in their proposition, including a steam engine, that was asked for, the two boilers, the spare parts, etc., and a total was arrived at amounting to 32,825 marks, from which we were quoted a discount on the total of 25 per cent. This brought the cost of transportation, insurance, and seaworthy packing, which items we are unable to separate, down to \$285.60, basing the mark on the value of \$0.238. The weight of the two German boilers was given at 9,850 kilos each, making the total weight of the two boilers 43,380 pounds. The weight of the two boilers that were shipped was about 45,400 pounds. The fact that the promulgated rate from Hamburg to Buenos Aires on the boiler outfits as shipped would have been \$532.16 on the promulgated rates, as against \$493.36, which was exacted for carrying the boilers from dock New York to dock Buenos Aires, and the fact that the actual price quoted, including the inland freight in Germany and the cost of boxing for export, amounted to \$285.60, goes to show that the German shippers are enabled to obtain very large discounts on the promulgated rates, while the full rates are exacted from this country.

I have the correspondence before me treating on this subject, and if it will be of any advantage to your committee I would be very glad to turn it over to you, provided it is held intact and you will return it to me as soon as you have finished with it.

Very sincerely, yours,

LEONARD S. SMITH.

That is quite a difference—\$285.60, including packing, as against \$493.36. And he said, of course, the result was that he lost that business.

Mr. DANIELS. I should think from the letter you have read that the gentleman's division of the cost was entirely erroneous. He is obliged to accept the total cost with his discount, and then he figures out himself how he thinks it is divided. I think he has made a mistake. I think the man has made his reduction somewhere else, because our understanding—and I am quite positive that Europe works the same as we do here—is that there are no discounts or deductions of that character from the agreed freight.

The CHAIRMAN. But you have said that all these tariffs are made up abroad; that the agents of the conference lines in America have no discretion in fixing the rate. These are English and German lines, and the rates are made by their representatives in conference in Europe, and yet you say you do not think they discriminate in favor of the European manufacturer as against the manufacturer in America, notwithstanding his statements here of an apparent discrimination.

Mr. DANIELS. I think that the English lines and the German lines—they are very large concerns; I think their word and their statement is above question. I think they treat the matter exactly as they state they had. I have perfect confidence in them, and people who are able to check the matter and have European offices, and who are really able to get at the gist of the thing, not taking our word for it, but satisfying themselves through the European offices that conditions exist such as we say exist, are satisfied. I think if that gentleman

had an office in Europe he would probably understand the matter, as the European people would probably straighten him out on the matter entirely.

The CHAIRMAN. We have similar correspondence from the representatives of locomotive works in this country. We have similar correspondence from the American Locomotive Co., 30 Church Street, New York. The letters were addressed to Hon. William C. Redfield, Member of Congress from New York, who placed them in our hands, in which they complain of the same discrimination against them in favor of European manufacturers and of their efforts to get a rate that would permit them to compete with the European manufacturers.

Mr. DANIELS. The American Locomotive Works do their traffic management through the traffic department of the steel company, and I am very much surprised if they write such a thing, because they told us quite to the contrary from time to time. And, furthermore, the exports of American locomotives and American cars are very large.

The CHAIRMAN. I will call your attention to this language in the letter of February 19, 1912, signed by the manager of the foreign department of the American Locomotive Co., Mr. Charles M. Muchnic. The letter is addressed to Mr. Redfield, as I told you. It reads as follows:

Referring to our conversation of even date, I inclose herewith copy of correspondence exchanged with the steamship company, also with the freight department of the United States Steel Products Co., relative to freight rates to Brazil. I think this correspondence will give you all the information you desire.

In this connection, I wish to confirm what I told you on several occasions, that the Steel Corporation has done more to keep the freight rates from the United States to foreign countries down to a reasonable figure than any other corporation or Government institution. The attitude of Mr. Farrell has been right along to have the steamship companies, which are either British or German, quote American manufacturers the same rates from ports in the United States to foreign countries as they quote to manufacturers of their own countries. Whenever the steamship companies refused to do so, the Steel Corporation chartered its own steamer and carried their own shipments and also those of other manufacturers. In doing this the Steel Corporation frequently incurred a loss on shipments carried for other companies. It is not the policy of the Steel Corporation to own or control lines except when it is forced to by the exorbitant and discriminating rates charged to American manufacturers. The steamship companies have taken advantage of this and disseminated reports to the effect that the Steel Corporation is carrying products of other manufacturers than from its own plants for the sake of obtaining the orders for the iron and steel that go into the manufacture of finished products. There is absolutely no truth in this and you can deny it unqualifiedly.

Then, on January 19, 1912, in a letter to Mr. J. J. Slechta, general agent, Lloyd-Brazilerio, 8-10 Bridge Street, New York, the general manager of the foreign department says:

We do not ask you to quote us rates on locomotives that would be below your cost of transportation, but what we must insist upon from the steamship companies operating from New York to Brazil is to quote us such rates as are equal to the rates obtainable on locomotives from European ports to Brazil.

Now, the Lloyd-Brazilerio is an independent line. You say that there is no basis for that complaint on their part—this large exporter—that they are not getting the same treatment as the European manufacturers?

Mr. DANIELS. We want to be perfectly clear with the committee so it can understand every deal. The American Locomotive Co. have, on several occasions, had contracts for the carriage of their locomotives with the lines on the same basis of the contract that we have had with the Baldwins, which you have asked me to submit to you. They have a habit when they tender on a big order to get it, and after they send two or three lots to withdraw from the contract and send it on their own boats of the steel company. And I think it has cost them more money than if they had stuck to their contract. They have also shipped by the Lloyd-Brazilierio, which company underbids us a fraction of a cent as a rule on business. And I think the gentleman testified here that even at those remunerative rates he lost a great deal of money in the business. But the steel company that the locomotive company say they deal through are perfectly satisfied that we keep our good faith in quoting equal terms with foreign people. And I can not understand, knowing that fact and making the statements that I do, that they can in any way go back on it. I would suggest that you call them down here and ask about it if necessary.

The CHAIRMAN. I believe you have agreed to furnish several contracts to which we have called attention?

Mr. DANIELS. Yes.

Mr. HUMPHREY. I desire to ask Mr. Daniels about European trade so far as his company is concerned. Are the rates between here and Europe, so far as your line is concerned, fixed in the same way as they are to South America?

Mr. DANIELS. The rates across the Atlantic?

Mr. HUMPHREY. Yes.

Mr. DANIELS. No; they are made in New York entirely.

Mr. HUMPHREY. Made in New York?

Mr. DANIELS. Yes.

Mr. HUMPHREY. By an agreement of the representatives of the conference lines?

Mr. DANIELS. No; we run to Manchester. We have no conference to Manchester. We have an agreement with the Manchester Line from Philadelphia, and the Manchester Line from Boston, on a few staple articles of minimum rates, with a differential in favor of Philadelphia. And we have adopted the European classification of all the large Atlantic lines, which is a printed book, a copy of which I sent to the committee here. The general rates of staples on the Atlantic between New York is entirely a question of barter from day to day. You get the highest you can; not the lowest.

Mr. HUMPHREY. So you have no agreement about freight rates between this country and Europe except on certain commodities?

Mr. DANIELS. Except on very few commodities.

Mr. HUMPHREY. What are those commodities?

Mr. DANIELS. I can only tell you offhand. I think they are lumber, possibly flour, which does not come through New York at all, and glucose, I think. I think I had better look it up and send you a list, Mr. Chairman. Offhand I am not well enough posted.

Mr. HUMPHREY. What line do you compete with to Manchester?

Mr. DANIELS. We compete with Philadelphia, Boston, and Montreal.

The CHAIRMAN. You will furnish us those rates later, will you not?

Mr. DANIELS. I shall be very glad to furnish them.

Mr. HUMPHREY. I mean what lines?

Mr. DANIELS. Oh, the Manchester liners from Philadelphia and Montreal and the International Mercantile Marine from Boston. I think that is all that is worth mentioning coming into our country at all.

Mr. HUMPHREY. Are those the lines that compose the North Atlantic conference?

Mr. DANIELS. They are all in the North Atlantic conference, yes; all the members of it.

Mr. HUMPHREY. I understood you a while ago that you had a contract with the Singer Sewing Machine Co., but that other shippers of sewing machines could send their product at the same rate if they so desired.

Mr. DANIELS. If they desired to contract.

Mr. HUMPHREY. What was the purpose of making that special contract with the Singer Sewing Machine Co.?

Mr. DANIELS. The Singer Sewing Machine Co. have a very large business in Brazil. It is Brazil we are speaking about, is it not?

Mr. HUMPHREY. Yes.

Mr. DANIELS. In Brazil. And they have sales agents who are making forward sales all the time, and they like to be able to make their sales on a fixed cost. A great many of their contracts are made with houses in Brazil by the year, they know the volume of their business, and it makes it a certainty when they have the transportation at a fixed rate.

Mr. HUMPHREY. And so, owing to the large amount of business, you are naturally anxious to get it?

Mr. DANIELS. We are naturally anxious to facilitate their business. We would get it anyhow, presumably, if there was no opposition.

Mr. HUMPHREY. They agree in their contract not to ship by any other lines?

Mr. DANIELS. No; they agree to give us all of their freight, Mr. Humphrey. It may be the same thing, but it is the same thing with a difference. If you will give me the questions without the answers tagged onto them we will get on very much quicker.

Mr. HUMPHREY. I have no objection to a discrimination if there is a difference. They may patronize the other line, but they must give you the freight.

Mr. DANIELS. They contract to do it.

Mr. HUMPHREY. What concessions do you give to them to induce them to do that?

Mr. DANIELS. We give them this yearly contract. That is all.

Mr. HUMPHREY. They get no advantage any other way?

Mr. DANIELS. They get no advantage any other way.

Mr. HUMPHREY. You are not giving them any lower rate than you are giving their competitors?

Mr. DANIELS. No lower rate than we are giving any other competitor that would want to contract. Let me put it that way.

Mr. HUMPHREY. Under that contract do you, as a matter of fact, carry the Singer sewing machines for less than you carry other machines?

Mr. DANIELS. If the market goes up we would be caught with a bad contract on our hands.

Mr. HUMPHREY. Yes; but you do not quite understand my question. We will take, for illustration, some other sewing machine, the Home or any other company. Unless they make a special contract you do charge them more, do you not?

Mr. DANIELS. Not necessarily. It all depends on the going tariff or the value of the service. If the market is going up or the rates go up.

Mr. HUMPHREY. Have you a contract with any other sewing machine manufacturer outside of the Singer?

Mr. DANIELS. To Brazil—I think not.

Mr. HUMPHREY. You have no agreement with any other that would come in competition with the Singer in your field?

Mr. DANIELS. I do not think so in Brazil. In the Plate I think there are others that have contracted.

Mr. HUMPHREY. The only other line to South America in the same trade as your line is the Prince Line, is it not?

Mr. DANIELS. The Lloyd Brasileiro are in the New York-Brazil trade—an independent line—and they quote cheaper freight than we do. We make no discrimination for anybody who wants to ship by them.

Mr. HUMPHREY. I have here a copy of the report of the hearings on House resolution 543, from which I will quote what purports to be your testimony. On page 597 Mr. Worthington asked this question:

What other lines are engaged in the same trade as the Lamport & Holt Line between New York and South America?

Mr. DANIELS. The only line is the Prince Line.

Is that correct?

Mr. DANIELS. That is a literally correct answer, Mr. Humphrey. The only line that was working on the same range of ports and the same general conditions all through as ours at that time was the Prince Line.

Mr. HUMPHREY. That is what I understood. Now, then—

Mr. DANIELS (continuing). And, if the chairman will allow me, in connection with this testimony of many years ago, which I understand has been a little bit criticized on account of its conciseness, you will recall that that committee was not investigating shipping, but was investigating a complaint that was lodged with the members of this legislature against some outside interests, and when I appeared before the committee I thought they far exceeded the scope of the resolution. I had no advice that I was to be cross-examined on these various subjects by a lawyer on the other side until I got here. My answers are absolutely truthful, so far as they go. They do not go a bit further than necessary. We were advised over night by legal advice that the committee was exceeding the resolution by some considerable degree in asking such questions, and I partly challenged, and Mr. Gottheil, who followed me, challenged him completely on that. That is why my testimony before that committee was not more explanatory than it is, but it is absolutely truthful so far as it goes.

Mr. HUMPHREY. In this particular question, though the answer was correct, was it?

Mr. DANIELS. Absolutely, literally correct.

Mr. HUMPHREY. If they had not any authority to ask it, it would not make any difference?

Mr. DANIELS. The truth of the answer is absolutely correct.

Mr. HUMPHREY. The purpose in asking that question was this, and I assumed it was correct when I read it there—has not the Royal Mail recently acquired both your line and the Prince Line?

Mr. DANIELS. Not to my knowledge.

Mr. HUMPHREY. Haven't you heard that that is true?

Mr. DANIELS. Not to my knowledge.

Mr. HUMPHREY. I say, haven't you heard that that is the fact?

Mr. DANIELS. I have not heard.

Mr. HUMPHREY. You have never heard anything to that effect?

Mr. DANIELS. No, sir.

Mr. HUMPHREY. Of course, the purpose, you see, in asking that is apparent, because if they are the only two lines and they are both owned by the same company now, they could very well do away with any agreements.

Now, I want to ask you another question. You spoke about the rates being cabled from Europe to America and then you translated them into our money?

Mr. DANIELS. No, sir; I did not state that. I said the tariffs were mailed to us, not cabled.

Mr. HUMPHREY. Any way, they were then translated into our money?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, the complaint has been made that in the translating of those tariffs, so far as passengers are concerned between here and Europe, they always give the odd amount against the American passenger. In other words—

Mr. DANIELS. I have not said anything relating to passenger rates. Passenger rates are not sent out to us. Passenger rates are made in New York.

Mr. HUMPHREY. Wait until I finish my question. [Continuing.] And that in translating them they make the odd amount of money always against the American passenger, so that in the course of a year the Americans taking passage between here and Europe are paying something over a million dollars more for exactly the same service—

Mr. DANIELS. That is interesting.

Mr. HUMPHREY (continuing). That the foreigner gets. Now, what I want to ask you is whether in translating your freight rates you use the same method?

Mr. DANIELS. You have stated that they pay a million dollars more.

Mr. HUMPHREY. No; it is not my statement; I have seen it made. Do you deny it is true?

Mr. DANIELS. They do not pay a cent more. You can take the whole million off, the whole six naughts.

Mr. HUMPHREY. Do you do it in translating your freight rates?

Mr. DANIELS. Possibly, if there is half a cent difference we take the half cent, possibly not. I do not attend to the details in that respect.

Mr. HUMPHREY. This morning you submitted a prepared statement to the committee. I want to ask you whom you consulted in the preparation of that statement.

Mr. DANIELS. Nobody at all.

Mr. HUMPHREY. Not your attorneys in regard to it?

Mr. DANIELS. They did not see it until on the train last night. I submitted it to them.

Mr. HUMPHREY. You prepared it without consulting anybody?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, then, I asked you this morning whether or not you did not testify before the Steenerson committee, which met in May, 1910, that you had no knowledge that there were any written agreements between the lines in the South American conference, of which yours was one, in regard to the fixing of freight rates.

Mr. DANIELS. Will you be good enough to give me the page and the paragraph?

Mr. HUMPHREY. I am going to do so. I want to put extracts from your testimony in the record. Therefore I wish, while you are present, to give you the page and read it to you. I will first read from page 599 [reading]:

Mr. WORTHINGTON. Have you, at any time, participated in conferences with representatives of any of these other lines for the purpose of arranging a schedule of rates?

Mr. DANIELS. There is no definite organization. If we are not quarreling with each other, which is often the case, there is a general understanding amongst the freight people that they will not make any cut in rates without advising the others. There is a friendly understanding.

Mr. WORTHINGTON. With whom, representing the other lines, do you have that friendly understanding?

Mr. DANIELS. With everybody, if we are on friendly terms.

Mr. WORTHINGTON. Take the Prince Line, for instance. With whom, representing that line, do you have any such friendly understanding?

Mr. DANIELS. It is generally done by the contracting men, the men who are engaging our freight. They do not cut each other unless it is necessary.

Mr. WORTHINGTON. What makes it necessary?

Mr. DANIELS. Sometimes one needs the freight, needs a cargo, and then they may make a reduction to get it.

Mr. WORTHINGTON. Is there any understanding in writing?

Mr. DANIELS. Not to my knowledge.

Mr. WORTHINGTON. Do you mean to confine that to your personal knowledge? You have been informed about it, have you not?

Mr. DANIELS. I do not think there is any such agreement in writing.

Mr. WORTHINGTON. Do you mean to say that you have not been told, at any time, that there is such an understanding in writing, or such an understanding arrived at in any way, between the Lamport & Holt Line, the Prince Line, and others, in regard to freight charges between here and South America?

Mr. DANIELS. I do not know of any.

Mr. WORTHINGTON. I did not ask you whether you knew of any, but whether you have heard of any?

Mr. DANIELS. I can only speak from my knowledge. I know of none.

Mr. WORTHINGTON. Do you mean to say you will not answer as to what you have heard?

Mr. DANIELS. I do not know that I have heard of any. I can only answer what I know. I know of none.

Mr. WORTHINGTON. I tell you that this committee has decided they have a right to ask what has been heard, so that they can trace it back. Have you not been informed that there is such an understanding and that it is in writing?

Mr. DANIELS. I don't know.

Now, I want to ask you some more about the South American trade in regard to the passenger business.

Mr. DANIELS. May I answer that record if it goes on the record?

Mr. HUMPHREY. Certainly.

Mr. DANIELS. I think the record is quite correct as I gave it at that time. I see no reason to make any change in it now.

Mr. HUMPHREY. That was in 1910, was it not? The date of your testimony as I have it here was, I think, the 19th of May, 1910; that is correct, is it?

Mr. DANIELS. I do not know what the date is; but if you have it there, that must be correct.

Mr. HUMPHREY. And the date of this Exhibit A is in 1908, I believe?

Mr. DANIELS. I believe that had expired the year before.

Mr. HUMPHREY. And you had never heard about it?

Mr. DANIELS. No; I knew it had expired.

Mr. HUMPHREY. If you knew it had expired, you had necessarily heard about it?

Mr. DANIELS. I believe the statement is correct with what was existent at the time, not past history.

Mr. HUMPHREY. I want to read further. I want to read from page 612, the bottom of the page [reading]:

Mr. WORTHINGTON. Do you know anything of any arrangement to which the Lamport & Holt Line is a party by which the moneys received from the carriage of freight either to South America or across the Atlantic are divided between the different companies in any given proportion or prearranged proportion?

Mr. DANIELS. I might answer no; but I think you are deviating very much, delving into matters that do not pertain to the inquiry.

Mr. WORTHINGTON. Do you mean that you decline to answer or you do not think it is pertinent?

Mr. DANIELS. The way you put the question I can not answer it; I do not know.

Mr. WORTHINGTON. You mean you do not understand the question?

Mr. DANIELS. No; I do not know anything at all about it.

Mr. WORTHINGTON. Have you heard anything about it?

Mr. DANIELS. No. And I furthermore think that this deviating so widely from the various points that we are prepared to answer down here is hardly proper.

Mr. WORTHINGTON. I will be quite frank with you, Mr. Daniels. I am asking you whether the information I have received is correct, that there is an arrangement between these lines generally which carry freight across the Atlantic Ocean that they divide up in certain proportions the proceeds among themselves?

Mr. DANIELS. I do not know of such an arrangement.

Mr. WORTHINGTON. Have you heard of it?

Mr. DANIELS. I have not heard of it. But on this line of questioning I think is aside from the point.

Mr. DANIELS. I think that testimony as it reads in the present instance is as I answered. I presume you refer to the rebate that expired the year previous and was not in existence at that time. My testimony is absolutely correct.

Mr. HUMPHREY. Then, if you testified there that you knew of no written agreement between these lines with reference to the trade in South America, you were correct?

Mr. DANIELS. I was correct to the best of my knowledge and belief at that time.

Mr. HUMPHREY. And that, notwithstanding this other contract which a cablegram said a few minutes ago, your competitor still thinks is in force?

Mr. DANIELS. My information is that there is no agreement in force. I am only testifying to my own knowledge.

Mr. HUMPHREY. The question put to you there was whether you had heard that there was any written agreement between these lines running to South America.

Mr. DANIELS. My understanding was that there was not.

Mr. HUMPHREY. You answered "no," although you testified this morning that you knew of the existence of this agreement made in 1908 as soon as it was made or very soon thereafter.

Mr. DANIELS. But it had expired a year before this committee came together. I will repeat again that my testimony at that time was perfectly correct.

The CHAIRMAN. When you say "committee" you mean a congressional committee?

Mr. DANIELS. The committee on the lobby in Congress, or whatever it was.

Mr. HUMPHREY. I want to question you a little further about passenger rates. What are the names of the vessels that carry passengers on the Lamport & Holt Line between here and South America?

Mr. DANIELS. May I submit our schedule, Mr. Chairman, giving the names?

The CHAIRMAN. Yes, sir.

The names of the vessels as given in the schedule referred to are as follows:

Vandyck, T. S. S.; Vauban, T. S. S.; Vestris, T. S. S.; Veronese, Voltaire, Vasari, Pascal, Phidias, Dryden, Archimedes, Euclid. Rossetti, Verdi, Canning, Siddons, Spenser, Raphael, Dettingen, Raeburn, Cavour, Evesham, Balaclava, Flodden, Colbert, Tintoretto, Titian, Thespis, Terence, Rembrandt Romney, Canova, Ville du Havre, Ville de Paris, Cervantes, Camoens, Sallust, Tennyson, Byron, Virgil, Horace, Chaucer, Hipparchus, Inventor, Kentmere.

Mr. HUMPHREY. Is the *Voltaire* one?

Mr. DANIELS. The *Voltaire* is one; yes, sir.

Mr. HUMPHREY. How does it compare with the other vessels in its accommodations?

Mr. DANIELS. The *Voltaire* is what we call a second-class boat. We charge a less rate of passage on her than we do on our larger and newer steamers.

Mr. HUMPHREY. What are the names of the larger and newer steamers?

Mr. DANIELS. The steamer *Vestris* is the newest boat. She has just come on the berth, and if you will refer to the Daily Consular Reports of January 3, 1913, the American consul at Rio writes:

The Lamport & Holt Steamship Co., that has for some years maintained a fortnightly service between New York and Brazil and Argentina, has placed a 12,000-ton steamer on the New York-Brazil route, which is equally as comfortable and modern as the ships running between Europe and Brazil. It is hoped that other ships of this character will be added to the service, as the passenger and freight traffic certainly warrant it; although there is little or no immigrant movement either way, such as there is between Europe and South America, and the question of return cargoes is more difficult than to Europe.

Mr. HUMPHREY. When did that vessel start running?

Mr. DANIELS. She started from Buenos Aires in September or October.

Mr. HUMPHREY. How many round trips did she make?

Mr. DANIELS. She is completing her first round trip now.

Mr. HUMPHREY. That is a new vessel. Have you any other of the same character?

Mr. DANIELS. The *Vasari*, which came on the berth two years ago, is a boat of the very highest type, and at that time was almost as modern as the *Vestris* is to-day. On the *Vestris* we had the pleasure of the company of Mr. Barrett and Mr. Lewis Nixon, and their opinion was that the boat was one of the finest that had come into New York in any trade.

Mr. HUMPHREY. How frequent sailings do you give now?

Mr. DANIELS. Every other Saturday.

Mr. HUMPHREY. What vessels do you use in making these sailings?

Mr. DANIELS. I have submitted the schedule.

Mr. HUMPHREY. Well, can't you tell me?

Mr. DANIELS. The *Vestris*, *Verdi*, *Vasari*, *Voltaire*, *Veronese*, *Byron*, and *Tennyson*.

Mr. HUMPHREY. Are the sailings of these vessels the kind of sailings fixed by the conference?

Mr. DANIELS. It is not fixed by the conference; it is fixed by the Lamport & Holt Line.

Mr. HUMPHREY. Without consultation with any other line?

Mr. DANIELS. I am quite positive without consultation with any other line.

Mr. HUMPHREY. You fix your freight rates independently?

Mr. DANIELS. I have already made that a matter of record, Mr. Humphrey. I have testified all the morning on that point.

Mr. HUMPHREY. Well, would it not have been just as easy for you to have said "Yes" or "No," as it was for you to say that? Do you fix the passenger rate?

Mr. DANIELS. The passenger rate we fix independently.

The CHAIRMAN. But it is understood between yourselves and the other members of the conference that you shall maintain such a class of passenger service between America and Brazilian points as will prevent other competition?

Mr. DANIELS. Oh, no. The introduction of these high-class boats is entirely a private venture of the Lamport & Holt Line. It is a line they have built up after many years—we have been in the trade for 40 years, and we have built up this passenger service between here and South America until, as I just stated, our last ship is one of the finest ships that has ever come to or sailed from New York in all appointments. She cost about \$1,500,000.

Mr. HARDY. How does it happen that you have the same passenger rates between New York and Buenos Aires as the European lines?

Mr. DANIELS. When we first went into the business we took the rate then existing as a basis.

Mr. HARDY. You just make the same rate as the European lines have to New York, but you are doing it independently, nevertheless?

Mr. DANIELS. We take them as a guide in making our own rates.

Mr. HARDY. But you do ask the same rates?

Mr. DANIELS. We do ask the same rates.

Mr. HUMPHREY. Mr. Daniels, you still get within \$10, I believe you said, as much for carrying a passenger direct from South America to New York as the other line gets for carrying a passenger all the way to Europe and back to New York, although the distance is only about two-thirds?

Mr. DANIELS. Mr. Humphrey, there is an answer in the tail of each one of your questions. I explained very thoroughly this morning that the local rate between Southhampton and Buenos Aires and the local rate between New York and Buenos Aires was practically the same.

Mr. HUMPHREY. What I mean to say is, a passenger in South America can buy a ticket to New York by way of Europe for the same class for about \$10 additional. That statement has been made, and I noted this morning they were the same in respect to all these lines.

Mr. DANIELS. A passenger, if he bought a ticket from Buenos Aires to New York via Southhampton, would pay \$10 additional over the rate direct from Buenos Aires to New York. I would be very glad to give you a printed schedule; it is all published.

Mr. HUMPHREY. I would be very glad to see it. There is very little travel from South America to this country as compared with the travel from South America to this country via Europe, is there not?

Mr. DANIELS. Oh, quite a good deal. Still, a good many tickets are bought that way. The *Vestris* can carry 250 first cabin passengers, 125 second, and as many steerage as accommodations may require. I hope to fill her, but I might say—

Mr. HUMPHREY. I wish you would give the committee the number of passengers that you have carried from South America to this country, and from here to Europe on a through rate, we will say, during the year 1911.

The CHAIRMAN. And 1912.

Mr. HUMPHREY. Of course in 1912 they got an additional ship and the statements might not all be made up. But I wish you would give that.

There is one other question I would like to ask Mr. Daniels, Mr. Chairman. Does your conference make any attempt to monopolize the trade coming from South America to this country?

Mr. DANIELS. Do you mean freight or passenger?

Mr. HUMPHREY. I mean freight.

Mr. DANIELS. Freight trade. We do not attempt to monopolize it.

Mr. HUMPHREY. Well, is the trade between here and South America practically monopolized by the different conference lines, in your judgment?

Mr. DANIELS. It is not, by any means.

Mr. HUMPHREY. You consider that the trade between here and South America is practically what we call a free sea?

Mr. DANIELS. It is a free sea.

Mr. HUMPHREY. According to the report made by the Commissioner of Navigation during the year 1910, there were 901 entries of steam vessels in this country from South America, and 270 of them came to this country in ballast. Now, if it is a free sea, how do you explain that fact?

Mr. DANIELS. I would be glad to explain it to you, Mr. Humphrey. A great many of our boats come in ballast. There was not enough cargo coming forward to fill all the boats. We will take, if you like, the trade in sections. You have brought up the coffee trade with Brazil. The whole coffee trade with Brazil is not enough coffee to fill the number of boats that we have in the trade, and it is necessary

for the regular lines, who have built up the trade, to get as much coffee as they can. From the River Plata the trade is in its infancy. When we started, a few years ago, we practically got no cargo and we took it at ballast rates—absolutely nothing; \$2 a ton, or something like that. That trade is gradually growing, but the character of exports from that country are not such as will be imported into the United States until the Democratic Party (which I hope will happen) will break up the tariff and make it possible to bring meat stuffs and other products of the Argentine into the United States, in which case we will be able to use our boats and refrigerators, and so forth, and get some freight to make it worth while. But at the present moment it is not worth anything.

Mr. HUMPHREY. Now, take the coffee trade: What proportion of the coffee trade between Brazil and the United States is carried by vessels outside of the conference lines, excepting the Lloyd Brasileiro, which you claim is a competitor? Outside of that line, what proportion of the coffee trade between Brazil and the United States is carried by vessels outside of the conference lines?

Mr. DANIELS. I hope we carry all of it, because we have got to run our ships to make it pay. There is, however, one shipper who does not ship with us. That is Arbuckle Bros. Formerly they were our largest supporter. They received the largest concession of those shippers then, several years ago, and it is only within a very few months, as the records in the office of the district attorney of New York will show, that they held up their complaint pending negotiations. They were negotiating with us—they were willing to give us all the coffee for our regular boats, if we would allow them a little concession more favorable to them than the other shippers. We declined, and Arbuckle stopped. But I do not think they find it as profitable to ship coffee now, which is worth \$300 to \$400 a ton, and must be carefully handled—it requires boats to be constant and requires first-class service of every kind—as to ship through responsible, respectable lines, who will assure them, month in and month out throughout the year, regularity that will satisfy the necessities of the business and make a mutual profit for both.

Mr. HUMPHREY. Is there any other coffee shipper, besides Arbuckle, who brings any coffee from Brazil?

Mr. DANIELS. I think there is.

Mr. HUMPHREY. Outside of the conference lines?

Mr. DANIELS. I think so, outside of the conference lines.

Mr. HUMPHREY. Do you know of any other vessels, besides the Lloyd Brasileiro's, bringing coffee from the Argentine to the United States?

Mr. DANIELS. The average boat is not qualified to bring coffee.

Mr. HUMPHREY. I am just asking you whether there is any boat which does.

Mr. DANIELS. I do not know; I have not kept a record.

Mr. AYRES. Mr. Daniels, I would like to ask you a question: If your line has been willing to make a special concession to such a firm as the Singer Manufacturing Co., why has it not been willing to make a special concession to other shippers of the same class of products?

Mr. DANIELS. We have not made any special concession to the Singer Manufacturing Co. which we are not willing to make to everybody else. We have made a contract for a period with the Singer Co. which we will make with everybody else shipping the same class of goods. We are willing to make a contract with Arbuckle Bros. for coffee upon the same terms that every other shipper from Brazil ships on, but we are not willing to make a discriminatory condition. It was not very much of a discrimination, but it was a different contract. It was nothing in the rate.

Mr. AYRES. What was it, may I ask?

Mr. DANIELS. It was just a little detail, something in the business.

Mr. HUMPHREY. Was it the rates?

Mr. DANIELS. No; they were willing to pay the rates for the service; the service was worth the rates. The reason they broke with us years ago was only because they had always enjoyed a rate in those days based on the amount shipped, and they were shippers of a million bags. But their business has since fallen off, I see, to 400,000 bags this last year. They have storage facilities down in Brazil, where they can store the coffee up and ship when the boat gets in occasionally. But when you count the storage cost on it of \$300 or \$400 a month I think Arbuckle would be getting a pretty good proposition if they would use our boats at the same rates we are carrying it out to-day. But we could not agree on any concessions that were not fair to the trade, and they declined to do it.

Mr. STEPHENS. Mr. Daniels, you state that you have a rate from Rio via Southampton to New York—a passenger rate.

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. At about \$10 in excess of the rate from Rio to New York?

Mr. DANIELS. I think about that; very close to it, I know.

Mr. STEPHENS. Why do you make that rate?

Mr. DANIELS. Because the lines running to Southampton from Rio try to take the passengers to New York by that way at that low rate.

Mr. STEPHENS. And if allowed to do so they would interfere with your travel from Rio to New York?

Mr. DANIELS. We want them to stop interfering with the New York travel.

Mr. STEPHENS. But they would interfere with it if allowed to do what they propose to do?

Mr. DANIELS. Without retaliatory measures.

Mr. STEPHENS. It is because of the competition, then, that you make the rate you do from Rio to New York?

Mr. DANIELS. Yes; it is a losing proposition to-day, and is entirely due to the fact that some passengers who go from New York go a roundabout way.

Mr. STEPHENS. The traveling public, then, really reap the advantage because of competition?

Mr. DANIELS. I could hardly call it an advantage, because the people who go that way pay more money to go that way. They take 10 days longer time to go that way, and that is rather expensive. On the other hand—

Mr. STEPHENS. There would be considerable travel from Rio to Southampton and then to New York, anyway, would there not?

Mr. DANIELS. Yes.

Mr. STEPHENS. And in this way they are allowed the benefit of the reduced tariff?

Mr. DANIELS. They get a lower rate. As I say, there is a large triangle traveled on the part of the merchants to South America, because, naturally, they want to aid their British and German affiliations in business. We get it one way and then they come the triangle back.

Mr. STEPHENS. The traveling public is actually reaping the advantage because of the competition?

Mr. DANIELS. They are reaping the advantage in that way. On the *Vestris* we make a very cheap rate to try to induce travel. Although we have the best boat and we have a surplus of room, she is away ahead of her time, and we have got to develop gradually in the business; and to fill her we make a specially low rate to anybody who will make the voyage that way down, and in that way we are developing quite a good deal of tourist travel, which is practically unknown in that part of the world. In order to get the travel we are giving a special inducement there.

Mr. HARDY. Your idea of the trouble is that a good deal of the difficulty arises from the fact that they bring much of the freight into this country over the conference lines?

Mr. DANIELS. What difficulty—in what respect?

Mr. HARDY. These empty boats—coming in ballast.

Mr. DANIELS. The imports from Argentina to New York are comparatively small as compared with the exports from New York to Argentina. I presume more than 50 per cent of the boats that go from New York to Argentina never come back at all.

Mr. HARDY. Because they get no load back?

Mr. DANIELS. There is nothing to bring.

Mr. HARDY. And you think that if we let in meat stuffs and other things that they will have something to bring back?

Mr. DANIELS. Business is bound to pick up, and the more business there is the more we will have to carry.

Mr. BURKE. Mr. Daniels, how do you expect that is going to affect the farmers?

Mr. DANIELS. The farmers' products are more valuable every day. It is a sort of thing that works out itself. It would reduce the cost of living a bit.

Mr. STEPHENS. Mr. Daniels, what is the first-class passenger rate from New York on this vessel?

Mr. DANIELS. \$150, I think.

Mr. STEPHENS. And what is the round trip?

Mr. DANIELS. We make a round-trip rate from Buenos Aires of \$300. I think to Rio it is \$225, or something like that.

Mr. STEPHENS. A reduction of about \$75?

Mr. DANIELS. Yes; it is a material reduction.

Mr. HUMPHREY. Right at that point, about the amount of shipping each way; while I am not in possession of the figures for the tonnage, and I recognize the fact that cargoes that come this way are more valuable, bulk for bulk, I do happen to have the figures of the trade for 1910, and I want to put them in the record. During the year 1910 all the freight to South America is given a value of \$196,164,786; and during that same period, from South America,

\$92,295,218; so, in value, South America gets decidedly the greater amount.

Mr. DANIELS. Mr. Chairman, that includes coffee at \$300 a ton and rubber at \$2,000 a ton.

The CHAIRMAN. Mr. Sidney Story put figures in the record, showing the balance of trade against us, and stating also that the merchants of South America would be very glad to trade out that difference with us.

Now take the Argentine trade; we have spent, I think, enough time with the other. Mr. Daniels, will you state if your company at present or at any time within the last two years is or has been a party to any agreement or agreements or any understandings with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States and the ports in the Argentine?

Mr. DANIELS. We have no passenger understandings whatever. In freight we are, as I stated this morning, in accord with the other lines in the making of rates.

The CHAIRMAN. That would include the Lamport & Holt Line and the Houston Line?

Mr. DANIELS. Yes.

The CHAIRMAN. Barber & Co.?

Mr. DANIELS. Yes.

The CHAIRMAN. The Norton Line?

Mr. DANIELS. I do not know how active the Norton Line is. I understand they are to some extent.

The CHAIRMAN. And the Prince Line?

Mr. DANIELS. Yes.

The CHAIRMAN. And the American or Plate Line?

Mr. DANIELS. Yes.

The CHAIRMAN. And the New York & South American Line? Those are the lines that are in the conference?

Mr. DANIELS. I think you have one line duplicated there, have you not?

The CHAIRMAN. The last line—that is the line of which Mr. Ryan is the agent?

Mr. DANIELS. That does not go to the Argentine proper. It touches occasionally at Bahia Blanca.

The CHAIRMAN. Yes; they go to Bahia Blanca.

Mr. DANIELS. The Grace Line, I think, go to Bahia Blanca occasionally.

The CHAIRMAN. The lines that I have named are in the conference and have the same rates to Argentine ports?

Mr. DANIELS. Yes; I should say so.

The CHAIRMAN. What are the rates on the return voyage?

Mr. DANIELS. From Argentina to New York?

The CHAIRMAN. Yes.

Mr. DANIELS. I could not answer that question; I am not familiar with that.

The CHAIRMAN. You do not know whether they have the same tariff on the return voyage or not?

Mr. DANIELS. They do not have the same tariffs entirely; it is a different cargo. Whether they have any agreements working I do not know.

The CHAIRMAN. Do they have any pooling arrangement on freight northbound?

Mr. DANIELS. That I do not know, but I do not think so.

The CHAIRMAN. Have they any rebating agreements?

Mr. DANIELS. I will have to answer that I do not know. I am not advised.

The CHAIRMAN. Do they pay shippers any deferred rebates on shipments as in the case of shipments from Rio?

Mr. DANIELS. I am not very well posted on the northbound business from the Argentine. I think Mr. Houston, who will follow me on the stand, will be able to answer that question fully.

The CHAIRMAN. Are those arrangements between the several lines known as the conference lines in the trade with Argentina the same as between this country and Brazil?

Mr. DANIELS. You mean outward from New York?

The CHAIRMAN. Yes.

Mr. DANIELS. We just have an informal agreement to maintain rates.

The CHAIRMAN. Well, are those lines also members of this conference, and do they meet with you as members of the same committee in New York?

Mr. DANIELS. They have nothing to do with the Brazil part of it; but, as I explained in a statement this morning, the representatives of the lines have weekly meetings, similar to those in the Brazil trade.

The CHAIRMAN. But their meetings are distinct?

Mr. DANIELS. The meetings are distinct, and they are in each other's office, in turn—something like that.

The CHAIRMAN. The representative of each line meets the representatives of the other lines in conference about how often?

Mr. DANIELS. About once a week.

The CHAIRMAN. And what are the subjects of those conferences?

Mr. DANIELS. They also make reports on the boats berthed, the amount of cargo contracted, and the contracts made. If any rates are to be made, they make the rates.

The CHAIRMAN. Are the rates made at the conference in New York, or are they, like the rates in the Brazilian trade, cabled from Europe?

Mr. DANIELS. The rates in New York are made in New York for three of the lines that have their principal offices in New York.

The CHAIRMAN. So the New York-Argentine rates are made in New York?

Mr. DANIELS. They are made in New York; yes, sir.

The CHAIRMAN. And they are made in these conferences?

Mr. DANIELS. Yes.

The CHAIRMAN. What else is done in these conferences in addition to making these rates?

Mr. DANIELS. That is the business. Every line is on its own bottom, so to speak; they take their own earnings on their own lines.

The CHAIRMAN. There is no pooling of earnings?

Mr. DANIELS. There is no other agreement except a friendly maintaining of rates.

The CHAIRMAN. In this trade you have agreements with shippers, have you not?

Mr. DANIELS. We have agreements with shippers in the Argentine trade—contracts. They are not agreements, but contracts with shippers.

The CHAIRMAN. Do you mean contracts in writing?

Mr. DANIELS. Contracts in writing with shippers.

The CHAIRMAN. Name the particular parties with whom you have contracts in the Argentine trade.

Mr. DANIELS. Each line has its own contract in the Argentine trade. I speak for the Lamport & Holt Line. We have contracts with the J. I. Case Co., John Dunn Son & Co.—

The CHAIRMAN. The J. I. Case Co.—is that the plow company?

Mr. DANIELS. The thrashing machine company. And we have quite a number of similar contracts. I do not recall their names.

The CHAIRMAN. Are those contracts on the part of shippers made with your company or with the several companies in the conference? Are they joint contracts on the part of the conference lines?

Mr. DANIELS. They are not joint contracts. They are made; each line making its own contract and assuming the liability for the carrying out of that contract; but they have the privilege of shipping by other steamers than their own.

The CHAIRMAN. In other words, while the contract is made, for instance, with the Lamport & Holt Line, yet it is understood they may ship by any one of the conference lines?

Mr. DANIELS. If the shipper wants to and the conference line will take the goods.

The CHAIRMAN. Do these contracts permit them to ship by any other line than the parties in the conference?

Mr. DANIELS. Most of the contracts, I think, read—you have one in the record, have you not? It is in the record of yesterday—Arkell & Douglass. If you will let me have that I can explain more properly.

The CHAIRMAN. I simply want to refer to it and have you verify it.

Mr. DANIELS. This is a contract made with the Houston Line, incorporated in yesterday's record, and reads that "Shipments shall only be made by steamers designated by R. P. Houston & Co." I presume our contracts have much the same phraseology, although I do not think they are identical, except in purpose.

The CHAIRMAN. You have the contract before you. Does it not provide that the parties named there as the shippers shall give all their business to the conference lines?

Mr. DANIELS. The contract reads:

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Arkell & Douglas (Inc.), estimated to amount to about _____ tons from New York to the River Plata ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

The CHAIRMAN. Well, "steamers"—that refers to individual steamers, not to the lines, does it not?

Mr. DANIELS. Individual steamers of their line or any other steamer they might name.

The CHAIRMAN. In the conference?

Mr. DANIELS. That does not say so; but it would be implied. They would not go outside of their friendly arrangement.

The CHAIRMAN. Does not "friendly arrangement" mean the terms of the conference?

Mr. DANIELS. No; because our line is not responsible for the contract, and the Houston Line has not the privilege of naming our boats unless we wanted that specific boat to take the freight.

The CHAIRMAN. You tell the committee now whether these parties give that contract for the privilege of shipping by any one of the conference lines or by any other lines at will?

Mr. DANIELS. No; they have not.

The CHAIRMAN. They have not?

Mr. DANIELS. In our own case we have had the question raised several times where people have tried to get the benefit of contract rates when we did not have the space, and were charging higher, and when our line did not have any liability under that contract, nor have the other lines any liability or responsibility other than is voluntary under our contracts.

The CHAIRMAN. But you do recognize—

Mr. DANIELS. As a custom, unless there is some reason to the contrary, the shippers ship by what steamers they like, because the rates are about the same.

The CHAIRMAN. When you say "steamers" you mean lines in the conference?

Mr. DANIELS. Yes.

The CHAIRMAN. And you have an understanding between yourselves that while they may designate, for instance, the Lamport & Holt Line, they may, if they desire, ship via a steamer belonging to one of the other lines in the conference, yet as between yourselves you are mutually responsible.

Mr. DANIELS. No, sir; we are not responsible. The only agreement we have in the Plata trade, as I mentioned, is the maintenance of rates. We have no other agreement regarding any joint responsibility or anything else, unless we bind or contract ourselves as joint contractors. We have a contract with the Standard Oil Co., made by the Barber Line, I think, where all the lines and the amount that each of them shall carry is named, and we are each responsible. I think this contract is the only one; that is, to my knowledge, there is only one.

The CHAIRMAN. Will you furnish us a copy of that contract?

Mr. DANIELS. It is with Messrs. Barber & Co. I will try to get it; if they will give it to me I will furnish it to you.

The CHAIRMAN. We have copies of the other contracts.

Mr. DANIELS. I can furnish copies of them; we are parties to it, and we will be glad to do that.

The CHAIRMAN. I will be glad to have you make a note of that and furnish it to the committee. Are any vessels outside the conference operating between Argentina ports and New York?

Mr. DANIELS. I do not think there are. I think that—unless you mean whether the Norton line consider themselves in the conference or not. They operate a steamer to the south. I think the other boats that are operated outside the regular lines have been mostly to Brazil. I do not think they have gone through to the Plata, although there may have been some which have gone.

The CHAIRMAN. What are the relations between the Norton Line and these other lines in the conference?

Mr. DANIELS. The Norton lines do not attend the conference meetings of rate clerks.

The CHAIRMAN. They have the same rates, however, as the conference lines, have they not?

Mr. DANIELS. I understand that they maintain practically the same rates; yes, sir, although I think occasionally they slip a bit.

The CHAIRMAN. Is there any understanding between you that they shall maintain the same rates?

Mr. DANIELS. I do not think there is a definite understanding, sir.

The CHAIRMAN. Well, I do not care how "definite" it is. Is there any understanding?

Mr. DANIELS. I should say no. There used to be an understanding, they were members of the conference until recently. I presume, unless they maintain the rates and there was any cause——

The CHAIRMAN. When did they get out of the conference?

Mr. DANIELS. About a year ago—I do not think they have been in the conference for over a year.

Mr. AYRES. And what was the reason for that?

The CHAIRMAN. I wanted to ask why they got out?

Mr. DANIELS. They are managed in New York; I do not know the reason. They never gave it.

Mr. AYRES. Did not they assign any reasons at all?

Mr. DANIELS. No.

Mr. AYRES. You had very friendly relations, and they withdrew without assigning any reasons?

Mr. DANIELS. They stopped coming to any more meetings.

Mr. AYRES. Cut it off?

Mr. DANIELS. Cut it right off.

The CHAIRMAN. Are the relations just as cordial as when they were in the conference?

Mr. DANIELS. Practically. We do not mind taking a little freight from them if we can get it. I think I took their largest contract away from them not long ago.

The CHAIRMAN. Who was the secretary of the Brazilian conference?

Mr. DANIELS. Mr. Goodwin.

The CHAIRMAN. And where did the conference meet in New York?

Mr. DANIELS. We have an office in the Produce Exchange. I think it is 214, the same as registered in this old——

Mr. GERHARD. 326, on the main floor.

The CHAIRMAN. Where do the conference in the Argentine trade meet?

Mr. DANIELS. They meet generally at the different line offices.

The CHAIRMAN. Who is the secretary of that conference?

Mr. DANIELS. There is no secretary of that conference.

The CHAIRMAN. Is there a record kept of your meetings?

Mr. DANIELS. No; just a memorandum is made by whoever is present about the reports from the other lines.

The CHAIRMAN. Does your line go to Bahia Blanca?

Mr. DANIELS. We have gone there; we go there very rarely.

The CHAIRMAN. What other lines go to the Bahia Blanca?

Mr. DANIELS. It is a port that those main Plata lines call at very irregularly. I think that practically all the boats send a steamer there possibly once a year, and in addition to that I think the two west coast lines stop at Bahia Blanca.

The CHAIRMAN. Is there any arrangement between the conference lines that the New York and South American line shall go to Bahia Blanca only?

Mr. DANIELS. I think not. I never come in contact with them at all, in fact. I do not know.

The CHAIRMAN. Have you any agreement with the New York and South American Line with reference to rates?

Mr. DANIELS. Not to my knowledge.

The CHAIRMAN. The rates furnished the committee, I will say, on all commodities in every instance show that their rates are just 2½ cents less than the conference lines' rates.

Mr. DANIELS. The rates via the South American Line?

The CHAIRMAN. To Bahai Blanca.

Mr. DANIELS. To Bahai Blanca—we have only had one steamer there in a year, and I am not very familiar with the trade. That will show very conclusively that we had no agreement, would it not?

The CHAIRMAN. No.

Mr. DANIELS. I do not even know.

The CHAIRMAN. Is there an agreement that there shall be a differential?

Mr. DANIELS. No agreement of that kind. We could not commit that anywhere; that would take all our business away in time.

Mr. STEVENS. Mr. Daniels, you said that representatives of the conference lines meet once each week?

Mr. DANIELS. In the River Plata trade?

Mr. STEVENS. Yes.

Mr. DANIELS. Yes, sir.

Mr. STEVENS. In the Brazilian and River Plata?

Mr. DANIELS. They are different trades entirely, and different people, but practically the same method of meeting.

Mr. STEVENS. And you also gave the purposes for which they meet. In pursuing that purpose, into what details do the representatives go?

Mr. DANIELS. In the Argentine?

Mr. STEVENS. Either in the Brazilian or the Argentine—say the Brazilian.

Mr. DANIELS. The Brazilian lines simply file statistics regarding the boats that are loading, the amount they have, the way the joint contracts are being handled, and recording any contracts that may have been made.

Mr. STEVENS. They file a statement, then, of the amount of tonnage that they have contracted for that particular shipment and the rate.

Mr. DANIELS. Not the rates; just the tonnage.

Mr. STEVENS. The tonnage and with whom the contracts have been made.

Mr. DANIELS. No. Supposing you had a 6,000-ton boat sailing in three weeks and you had 4,000 tons of cargo booked for her. You would simply record that such and such a boat would sail on such and such a date and had 4,000 tons booked. That would leave her 2,000 tons of space to fill.

Mr. STEVENS. Nothing else is given in that?

Mr. DANIELS. No; that is practically all that is given.

Mr. STEVENS. For what purpose is this schedule or these facts given to your secretary?

Mr. DANIELS. Just so that—

Mr. STEVENS. To keep each other from encroaching on the other's field.

Mr. DANIELS. And to keep them advised as to the amount of tonnage. If the berth is in the present Brazil berth our contracts are in excess of our tonnage, and we have had to put on some larger boats and some extra steamers to carry more, and, unfortunately, they are losing contracts, and we are not very keen on carrying out our share of it.

Mr. STEVENS. Does this meeting frequently take place because of a desire to divide more or less equally the amount of tonnage?

Mr. DANIELS. No; only the joint contracts are divided, the ones we have underwritten jointly. The amount of tonnage, as I have said before, we are quite a small factor during the last year in the Brazil trade, and we have carried very little compared with what the German lines have, and I think the Prince Line has carried more than any of them.

Mr. STEVENS. Have you made more money by doing that or less?

Mr. DANIELS. We have not had the steamers. We have allowed our passenger boats on the way to the Plata to stop there and take a thousand tons or 1,500 tons of cargo, and then go on to the river.

Mr. STEVENS. You desire the passenger traffic?

Mr. DANIELS. At the time we were devoting ourselves to the passenger boats—doing two services with the same boats.

Mr. STEVENS. Is it more profitable to handle the freight?

Mr. DANIELS. No; I am sorry to say that the passenger traffic we have hopes for; it has got to be developed, and we have got to create it.

Mr. STEVENS. Why did you give up your profitable freight business, your share or any part of it, and take up the passenger end of it, if it was not profitable?

Mr. DANIELS. Well, our freight, what we do carry, is quite profitable because we get the better class. Our boats are both very large—10,000-ton boats—in Brazil, but we carry through to the Argentine. The bulk of the cargo is for the Argentine, and only a small portion for Brazil. Consequently our ratio in the Brazil trade is comparatively small.

Mr. STEVENS. What was the speed of those larger boats?

Mr. DANIELS. They are capable of making 16 knots. We run on a 13-knot schedule.

Mr. STEVENS. Is not one of the purposes of that conference and your conference meetings to divide in somewhat equal portions the tonnage from here there?

Mr. DANIELS. No; the trade is not divided in proportion to the tonnage. There was an old arrangement regarding the number of ships dispatched, but if a ship went with a thousand tons she is counted a ship just as much as one of 6,000 tons capacity.

Mr. STEVENS. Is one of the purposes, then, to in some way divide the profits of that trade?

Mr. DANIELS. No; there are no profits; each line takes its own earnings.

Mr. STEVENS. Then, what reason do you meet for?

Mr. DANIELS. We have these joint contracts to carry forward, and we are also interested in the future growth of the trade. It is

growing very fast, and we have to make our provisions for that and keep intelligently posted; that is the real object of the meeting.

Mr. STEVENS. Is it not true, Mr. Daniels, that by these conference meetings and by the assembling of the representatives of the different conference lines, and the going over of the details of the contracts, you get the amount of tonnage secured, that you can in the end derive larger profits than if you did not have those meetings?

Mr. DANIELS. We save the waste of pulling against each other by pulling together. As I explained this morning, if there was very little cargo or too bulky cargo scheduled for the same port in the same week or within a few days of each other, and a very little cargo jointly for that port, one line or both of them cable to their owners asking one line be given a transfer and withdraw, and save the necessity of that call. One boat would do the service just as well, and we have to provide reserve tonnage in the different lines for those contracts we are interested in jointly. One line will make a contract and see that it is carried out, and the way it sees best is carried out by conference around the table, the way you gentlemen are assembled here.

Mr. AYRES. Mr. Daniels, in a case like that, where freight is offered two or three different lines, and one of those were not enough to fill the boats, as you say, and when that boat is withdrawn, is that freight all shipped in the first boat out, or is it held back for the other boat?

Mr. DANIELS. Oh, it is all sent right out for the advantage of the trade.

Mr. AYRES. In one boat?

Mr. DANIELS. Yes, indeed.

Mr. AYRES. In a case like that, your line is offered some freight and the Prince Line is offered some freight, and you withdraw one of your boats there or they withdraw one of their boats, and all the shippers send their stuff on that line; how would that be filled?

Mr. DANIELS. All direct—by direct freight, simply turn them over to the boat scheduled for the port.

Mr. AYRES. And they would conduct the entire business?

Mr. DANIELS. Yes.

Mr. AYRES. And bill for the freight.

Mr. DANIELS. Yes.

Mr. AYRES. And collect for it and take the entire profits?

Mr. DANIELS. Yes.

Mr. AYRES. Simply turn it over to them?

Mr. DANIELS. Turn it over to them.

Mr. AYRES. This seems to be a philanthropic scheme?

Mr. DANIELS. No; I can tell you the other day that unfortunately we found that one of our passenger boats was very much overloaded, to make call and get dispatch before needed. And we were very glad to get rid of some of our intermediate freight—freight offering for the terminal where we stopped. We found one of the Prince Line boats loaded up, or largely loaded up, waiting for a contract of cars to arrive on the railway, and we switched over this entire cargo, telegraphed and got the consent of the owners and thereby saved a wait of half a dozen days, and we accomplished our dispatch on the coast, which was very essential, and we satisfied the shipper who got his

goods all at the same time. That is how the economy is effected, and that is the object of our working in harmony.

Mr. HARDY. Mr. Daniels, I would like to ask you some questions on a different line than that, if these gentlemen are through?

The CHAIRMAN. The committee have evidence that there is a written contract between these conference lines in the trade between Argentina and Europe, embodying rebate provisions. What do you say as to the existence of any such contract?

Mr. DANIELS. I think it more than likely. I have never seen any of the details, but I do not know anything about it.

The CHAIRMAN. Embodying the rebate provisions and the conditions upon which shippers may obtain these deferred rebates?

Mr. DANIELS. You mean from Argentina to Europe?

The CHAIRMAN. Yes; and vice versa.

Mr. DANIELS. And vice versa. I am quite satisfied that such is the fact, and such is also according to the laws of both the countries where they operate.

The CHAIRMAN. Your firm and the Houston Line, the Prince Line and the Hamburg-American, and the Hamburg South American Lines are all parties to that agreement?

Mr. DANIELS. You mean abroad?

The CHAIRMAN. Yes. Now, then, have you not an understanding between yourselves that that agreement shall be in force as between you and the trade between South American ports and the United States?

Mr. DANIELS. Why, I do not think so at all. In the first place—

The CHAIRMAN. And have you not been advised by counsel that on account of the Sherman antitrust law, the possibility of liability under its provisions, it is best not to have that agreement in writing?

Mr. DANIELS. No, sir; absolutely not. I am trying—

The CHAIRMAN. Have not you had advice to that effect?

Mr. DANIELS. No, sir; not at all—not at all, and we never had the case up—never had occasion to raise it. I am answering you to-day as broadly as I can. It is for our interest to clear this matter up and all matters, sir. I am answering just as broadly as I can.

The CHAIRMAN. I am assuming that you are. I wanted to cover the whole ground, so that if a condition does exist there will be no loophole for you to escape.

Mr. DANIELS. It does not exist at all to my knowledge.

The CHAIRMAN. I assume this whole matter will be threshed out in the suits pending in the United States and possibly elsewhere.

Mr. HARDY. You mean your company has no rebate arrangement from Argentina to New York?

Mr. DANIELS. Not to my knowledge—they have no such agreement. That European agreement, I am quite positive, could not be applicable north bound, but whether they have an agreement in the north-bound trade in which they are only—I do not think there are but three lines running north—our own line coming back; some of the Houston Line boats, some of the Barber Line boats, and the Norton Line. The boats of the Prince Line and the other lines do not come back at all.

The CHAIRMAN. Your line, you think, does have the rebate agreement as to trade between Argentina and Europe?

Mr. DANIELS. I think it very likely. I have never known about it, but I think it is more than likely; I feel almost sure they have.

Mr. HUMPHREY. I have here a copy of a letter that was written from Rio de Janeiro on July 14, 1911, by a Mr. S. Schaefer to Mr. George W. Gittins, of New York, in which this sentence occurs, and by isolating it it does not isolate the sense in any way. That is the reason I do not read all of it. It reads:

And please do not forget that the Lamport & Holt Line is the only shipping company here with whom you can possibly ship goods to Rio de Janeiro. If you would ship with the Lloyd or with other companies, the delay would be twice or three times more.

He has been complaining in this letter about delay in getting his goods unloaded. What advantages have you in the way of unloading down there, if any, that makes him say that?

Mr. DANIELS. We spend the money that is necessary to accomplish the purpose.

Mr. HUMPHREY. Then his statement, while not literally correct, is practically correct when he makes that assertion?

Mr. DANIELS. Our steamers run on a schedule and give the best service; and, as I have already said, it costs us a good deal of money to do so.

Mr. HUMPHREY. I desire to ask you another question. What do you say of the shipping facilities that are furnished between this country, both for mail, freight, and passengers direct, as compared with the facilities that are furnished to Europe? In other words, are we at an advantage or disadvantage in these matters with Europe in reaching the trade in South America so far as shipping facilities are concerned?

Mr. DANIELS. So far as shipping facilities of freight go there has never been any shortage of tonnage. The tonnage has always been ample for the amount of freight offering. Our passenger service every fortnight runs to Rio and the Argentine, according to our schedule, within 24 hours of the fast service from Europe. The only trouble is that we have not enough business.

Mr. HUMPHREY. How is it about the mail service?

Mr. DANIELS. The mails go from here by our boats within 24 hours, with the same speed that they go from Southampton by the fastest boats.

Mr. HUMPHREY. How would you say the mail service compares between this country and South America and between South America and Europe?

Mr. DANIELS. Except for the frequency—the European business, of course, is larger—the mail service is just as fast, and everybody seems to be satisfied.

Mr. HUMPHREY. How about its frequency and regularity?

Mr. DANIELS. The regularity is without question. We have not had a slip up on a sailing for years. Its speed is, as I say, within 24 hours of the fast boats from Southampton.

Mr. HARDY. You think it is a mistake, then, to imagine that a man at Buenos Aires could not get back to the United States comfortably without going by Europe?

Mr. DANIELS. We carry about all that go, and I could give you testimonials by the hundreds.

Mr. HARDY. You have seen a great many statements to that effect, have you not?

Mr. DANIELS. Statements without the people, who make them, coming forward.

Mr. HARDY. Your statement is that the method of communication from the Argentine to New York is about as good practically as it is from the Argentine to Southampton?

Mr. DANIELS. I can not say that, because at Southampton they have two or three big lines that run across the Atlantic, and their travel amounts to the thousands.

Mr. HARDY. It is not as frequent, but it is regular—your line?

Mr. DANIELS. It is regular. We have three of our boats that are first class, which can be compared with the best steamers.

Mr. HARDY. I believe you said you had one vessel that was as good as anything on the water down there?

Mr. DANIELS. I not only said so, but the consul general at Rio said so, and prominent men here in Washington and in New York have said so.

Mr. HARDY. So a man can get back from Buenos Aires to New York without going to Southampton if he desires to?

Mr. DANIELS. For a great many years the majority of the trade traveled back and forth that way.

Mr. HUMPHREY. The conditions of which you speak are practically the same as they have been for the past four or five years, are they not?

Mr. DANIELS. We carry practically 90 per cent or more of the travel, and the other percentage that goes by Europe mostly would go that way anyhow for business reasons or because they wanted to do their shopping abroad, or because they want to go with the crowd.

Mr. HUMPHREY. When you were before the Steenerson committee and were asked the same question you stated at that time that the service was practically as good, with the exceptions which you have named, as it was between here and Europe, did you not?

Mr. DANIELS. The European service has constantly improved; so has our service from New York by the addition of new steamers.

Mr. HUMPHREY. You said that statements had been made without giving the names of the persons, so I want to read into the record a statement or two, and will give the names of the gentlemen who made them. I will read parts of them. The first one is made by Mr. I. E. Moses, one of the leading citizens of Seattle, Wash. It was made under oath before that committee. Here is a part of what he said:

I have here a list of the ships arriving and the ships sailing from Buenos Aires that I cut out of the newspaper there. For the last day of April and the month of May there were 38 mail steamers expected at Buenos Aires, out of which 5 came from New York. There were 83 ships altogether, mail and freight ships, that were to arrive at Buenos Aires, out of which 5 came from New York. There were 35 ships sailed from Buenos Aires in May, one of them being a mail steamer to New York. The total that sailed during the month of May and the last day of April from Buenos Aires was 63. Three of them were to go to New York. Out of all of those lines coming from Germany, France, Holland, Italy, Sweden, Austria, Spain—and I also saw the Portuguese flag—there was not a single American flag. The consul at Buenos Aires told me that maybe once or twice a year a sailing vessel with the American flag would come down there.

Mr. HARDY. That is the American flag you are talking about.

Mr. HUMPHREY. I know that part of it, but all those others were foreign, showing the difference in frequency of sailing.

Mr. HARDY. No; but the American flag might not be on those ships. I do not expect it is.

Mr. HUMPHREY. Of course it is not. But I call your attention that the total sailings during the month of May and the 1st day of April from Buenos Aires was 63, and three of them were to go to New York.

Now, I want to call your attention to what he says about the mail service. He says:

The mail from New York is a very uncertain quantity. I went into the English bookstore, as it is called, when I arrived in Buenos Aires on the 23d of March, and tried to get a New York paper. The clerk kind of smiled at me, and he said they did not have any; that they would not have any until the next mail came in. I asked him when that would be, and he said, "Oh, you can't tell when any American newspapers will come in. You can get an English newspaper." He said, "We may have a New York paper in two or three weeks." Of course I do not know whether it is the fault of the publishers or where the fault lies; but while I was there I know that we got the magazines for January, February, and March, all in one batch on one day. They only get the Sunday New York papers, and when they come they come several weeks' issues all together. I asked him why they charged 45 centavos, which is about 20 cents, for a newspaper, and he said, "Nobody is going to buy these old newspapers when they could get newer ones, papers of a later date, and so whoever buys these of a later date has to pay for these old ones." Of course the paper there was a good deal cheaper than at Rio. There the man wanted 50 cents for a New York paper. Reading came high.

Mr. HARDY. Now, if you are through on that line, Mr. Humphrey, I should like to ask Mr. Daniels a question about another matter. Mr. Daniels, were you here when Mr. Story testified?

Mr. DANIELS. I unfortunately was not.

Mr. HARDY. He was telling us about an effort to establish a line from New Orleans to Brazil, and he used this language:

The Munson Line started from Mobile after the Pan American Line—

The line he was interested in—

started from New Orleans. It was frequently stated that as soon as this independent American line started from New Orleans, that the shipping combination would put on a line alongside of it to run it out. When the Munson Line started from Mobile to South America, I was in Chicago at that time and I wrote to our people and I said, "I believe that this Munson Line is a shipping trust combination proposition," because not only did it start from Mobile after we had started—

He goes on to say that he had charged that that was a shipping trust proposition and that your company then went around in New Orleans booking freights for Brazil for future sailings, and that when his line sailed and took off their ships your company then refused to carry any freight or to continue this booking. In other words, he was presenting the idea that your company was crowding out any possibility or any effort to establish an independent line from New Orleans. Do you know anything about the condition as to which he testifies in that statement?

Mr. DANIELS. Mr. Story, it was rather a sad story all through, was it not?

Mr. HARDY. It was simply what I have stated.

Mr. HUMPHREY. It was if it were true.

Mr. HARDY. Let me read you the balance of it.

Mr. DANIELS. I am quite familiar with it.

Mr. HARDY. One minute. Let me read the balance of it. It reads as follows:

And then, following on the heels of that, the Lamport & Holt—they have an agent in New Orleans who receives ships as they come in from the south with coffee, and this agent in September last was booking freights for the Terrance, of the Lamport & Holt Line, and I met the son of the Brazilian consul at New Orleans on the streets of Chicago last October. He is an American, and his father is a big coffee importer, and he told me that the Lamport & Holt people were going to start a line from New Orleans. Well, I wrote to our people that I believed that was carrying out the threat they had made when I was in Rio, as it had reached me that they were going to start in a new line alongside of us to run us out. Our press took that up. The agent of the line denied it, however. When the Pan-American boats came back empty our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage. It was then announced that the Lamport & Holt would not take any freight to New Orleans for South America.

What about that little episode?

Mr. DANIELS. Mr. Story's boats after a good deal of propaganda and prospectus started, and he chartered his boats in the open market, paying 6s. 6d., or something like that. We, of course, knew exactly what he paid for his boats. We soon heard from merchants exactly what he was asking for his freight from New Orleans, and we did not think there was any more worry in the matter. If he chartered his boats at the price he chartered them, and if he was willing to take the freight at the price they named, I do not really think we could have helped him any more than we did. We let any of our shippers who wanted to use his boats and cancel with us ship with him. There was only one result, and could have been only one result. About three boats used up his capital, and nobody who knew anything about the business could have figured it any different.

Mr. HARDY. Did you start in to take freight, as mentioned in the Terrance episode, when he established this line?

Mr. DANIELS. No; we did not. The fact as to the Terrance episode is this: The ship was coming to New York from New Orleans in ballast—to load on the New York berth for Brazil or the River Plata. Our agent telephoned that they would need some freight for ballast coming around the coast if it got to blowing. This line was offering to take rosin at some very cheap figure, and that was the best we could get for ballast, so we authorized him to put it in ballast. He put it in as ballast and it came on up.

Mr. HARDY. So you did take some freight from there to New York?

Mr. DANIELS. We always do.

Mr. HARDY. That was no unusual thing?

Mr. DANIELS. No.

Mr. HARDY. What about this Munson Line?

Mr. DANIELS. The Munson Line is entirely independent of us. We have never touched the question of their starting up from Mobile. But they are speculators in freight. If they want to go into that Mobile proposition on the present market value of tonnage, I am glad it is their risk and not mine.

Mr. HARDY. Mr. Daniels, is it your statement that your conference lines do not use any fighting ships to kill off young aspirants for freight business?

Mr. DANIELS. We have not opposed any of our competitors for a long time. There has been more business than we could handle with the present tonnage.

Mr. HARDY. If a new line should start up, say, from New Orleans now, you would not put in one of your fighting ships there?

Mr. DANIELS. I think not.

Mr. HARDY. Haven't you done that sort of thing at New Orleans?

Mr. DANIELS. No.

Mr. HARDY. Or at Galveston?

Mr. DANIELS. No.

Mr. HARDY. Within the last 10 years?

Mr. DANIELS. Not to my knowledge; not that I remember. We have been offered that business by the railways from New Orleans, and we have said that we would be very glad to consider it whenever we could get a good dollar back for an old one.

Mr. HARDY. As it is now, you do not take any freight from the Gulf ports to South America, do you?

Mr. DANIELS. Except via New York.

Mr. HARDY. Nothing direct?

Mr. DANIELS. No; it does not pay.

The CHAIRMAN. Are there any further questions to be asked this witness? If not, we will take a recess until to-morrow morning at 10 o'clock.

FRIDAY, JANUARY 10, 1913.

The committee met at 10.35 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Collier, Ayres, Stone, Post, Faison, Humphrey, Hinds, and Stephens.

The CHAIRMAN. Mr. Gerhard has been in very poor health and was advised by his physician that his health did not warrant his coming. He has, however, expressed his willingness to come, and will give his testimony before the committee, but I make this suggestion because I do not want to tax him more than is absolutely necessary.

TESTIMONY OF MR. PAUL F. GERHARD, GENERAL AGENT FOR THE PRINCE LINE, NEW YORK, N. Y.

The witness affirmed to the oath.

The CHAIRMAN. Now, Mr. Gerhard, just tell, briefly, how long you have been in the steamship business, your experience, and your various business connections.

Mr. GERHARD. I have been in the ship brokerage business since 1867, in New York, and in the steamship business since 1882, when the American Line—the United States & Brazil Steamship Co.—was started. I was appointed the general agent of that line, and I held that position during the operation of the company or until 1892, when it went into the hands of a receiver, in spite of the subsidy that it was receiving from the Brazilian Government, as well as from the Government of the United States. After leaving that

agency, it was a question with me whether to go out of business or get a foreign line, so I accepted the freight agency of the Lamport & Holt Line—the outward freight agency of the Lamport & Holt Line. The general agents at that time were Busk & Jevons, in New York. I resigned that agency in 1907, and accepted the general agency of the Prince Line, which I now hold.

The CHAIRMAN. In what trades is the Prince Line engaged?

Mr. GERHARD. I hold the agency of the Prince Line for the Brazil, River Plata, and South African service.

The CHAIRMAN. Referring to the Brazil trade, tell the committee if your company or line is at present, or has been in recent years, a party to any agreement or agreements, or any understanding with any other steamship line or lines, as regards either freight or passenger traffic to or from the United States and Brazil.

Mr. GERHARD. The Prince Line has an agreement with the Lamport & Holt Line and the Hamburg-American, and the Hamburg-South American Steamship Line, joint service, as per the agreement which is already in evidence, a copy of which I can hand you [producing paper].

The paper so produced was marked "Exhibit No. 33."¹

The CHAIRMAN. We will not take the time to compare it with Exhibit 1 in the Government's suit, but is that a copy?

Mr. GERHARD. It is intended to be a copy. It is a copy as far as the agreement is now in existence. The pooling agreement referred to in that contract only existed for one year.

The CHAIRMAN. The pooling agreement was in a supplement, was it not, and printed as Exhibit No. 2 in the Government suit?

Mr. GERHARD. Yes; in the supplement. And I have not a copy of it, because it is no longer in existence.

The CHAIRMAN. But this agreement that you handed us——

Mr. GERHARD. That is what we are working under now. I think you will find it identical.

The CHAIRMAN. The same as Exhibit 1 in the Government's suit?

Mr. GERHARD. Yes; I think it is identical.

The CHAIRMAN. And it is the agreement in existence between your line and the other conference lines?

Mr. GERHARD. That is the one now in existence; yes.

The CHAIRMAN. And operates in the Brazilian trade?

Mr. GERHARD. Yes; the Brazilian trade.

The CHAIRMAN. Now, Mr. Gerhard, tell the committee, briefly, the workings of the New York committee; who compose the committee and the name of the secretary.

Mr. GERHARD. Well, the three lines meet in conference. We have an office in New York at 326 Produce Exchange, and we have a secretary there, named Robert Goodwin, and we meet there once a week to advise each other of what steamers are berthed, and how they are getting on in loading; what quantity of cargo they have booked and what port they are going to, and what dates they are scheduled for. We report contracts that may have been made; we report those at the meetings and the general conditions of the market. That is about what we do in conference.

¹ Exhibit 33 is to be found on page 435, in the testimony given by Mr. Herbert Barber.

The CHAIRMAN. Now, with reference to rates: Where are those rates made?

Mr. GERHARD. When we first started, there was a certain number of articles called staples, such as lumber, resin, flour, and kerosene (I think those are the articles, about; I think they are named in one of those agreements) that we were at liberty to fix a rate on according to the condition of the market, not less than the minimum, which I think was stated in the agreement at 8 cents. That was the minimum, and we were at liberty to meet the situation. If the market went up, of course we put the rates up; if the market was low and the merchants could not pay the rates, and we saw the necessity of a change, why, we were at liberty to change those rates. But in recent years we have practically been deprived of that authority, and at present we really get our authority from London. We cable through our secretary in New York to the secretary in London, who, I presume, submits it to the different owners, and we get a reply through the secretary then what to do in the matter of the rates to quote, for I think it is very reasonable that the owners of ships who own the property and know what it costs to run those ships should really be the men, the judges, to state what freights we ought to get here.

The CHAIRMAN. When you say "we" you refer to the conference lines?

Mr. GERHARD. I am speaking of the joint agency, of course.

The CHAIRMAN. And when you refer to the secretary abroad, you refer to the secretary of the conference lines there?

Mr. GERHARD. Of the conference in London.

The CHAIRMAN. Could you give the names of the members of the London conference?

Mr. GERHARD. I do not know. I presume it simply consists of those three lines named in the agreement, but I have never attended those conferences and really have no details of how they are conducted. All I know is that they have a secretary there to whom our secretary cables. That is all I know about it. I have never attended any of those meetings.

The CHAIRMAN. Do you know the ownership of these lines?

Mr. GERHARD. I do not know that.

The CHAIRMAN. You do not know who they are?

Mr. GERHARD. No.

The CHAIRMAN. What, if anything, do you know about the Prince Line having been absorbed by the Royal Steam Navigation Co.?

Mr. GERHARD. I had heard nothing until I got to Washington, but I am sure there is nothing in it, because I am quite sure Mr. Knott would have informed me of the fact. I am quite confident he still holds the line. It has been his life work, and he is not going to give it to others. I am quite sure of that, and that there is no truth whatever in the statements.

The CHAIRMAN. That is the Prince Line?

Mr. GERHARD. The Prince Line is what I am speaking of.

The CHAIRMAN. What, if anything, do you know about the Lamport & Holt Line?

Mr. GERHARD. It has been a well-known fact for some time that the Royal Mail has absorbed the Lamport & Holt. I do not know anything except what I have heard and seen in the newspapers.

Mr. HUMPHREY. I did not quite understand you.

Mr. GERHARD. The Royal Mail has absorbed the Lamport & Holt Line.

The CHAIRMAN. Mr. Daniels was asked with reference to sailings of the ships belonging to the conference lines from Brazilian ports, and he stated that the sailings were at regular, definite periods; and for that reason the conference lines give the shipper a better service than other lines might—tramp vessels on the Brazilian route. Is it true that, except these fast steamers known as the passenger steamers of the Lamport & Holt Line, your freight steamers sail at definite periods?

Mr. GERHARD. Well, we endeavor to keep up dates. But the great trouble in all South American ports is that the facilities for discharging cargo are limited, and they are often detained in those ports before they get a chance to unload. So, while we try to keep our dates, sometimes we are detained; but certainly there is a great deal more regularity than any tramp steamers could offer.

The CHAIRMAN. How are the tramp vessels as compared with the Lloyd-Brazileiro?

Mr. GERHARD. I have never seen any of their steamers. I have not watched their service even, and I would not like to express an opinion about those ships. I am not competent to express an opinion.

The CHAIRMAN. Mr. Gerhard, tell the committee what agreement or understanding exists between the conference lines and the Booth Line with reference to the South American trade.

Mr. GERHARD. I really do not know that there is any definite agreement existing between the lines. I do not know of any. It is only this, "Do not step on my corns, and I won't step on your corns." That is about the amount of it. I do not think we would care to go into their ports without consulting with them, and I think they feel the same way toward us. There is not any agreement.

The CHAIRMAN. In other words, there is a friendly understanding, "If you will keep out of the north Brazilian ports, we will keep out of yours"?

Mr. GERHARD. That is it; and I think that is the understanding with all the lines. They all know perfectly well that if any of the existing lines try to enter the territory of another line they are sure of getting into a fight with them; so they keep out of it. That is the amount of it.

The CHAIRMAN. Is that the situation as regards the Brazilian ports and Argentina?

Mr. GERHARD. Those are two different trades; I do not think there is any definite agreement. I know there is no definite agreement between the Brazilian and the River Plata lines.

The CHAIRMAN. But they understand—

Mr. GERHARD. It is simply a tacit understanding. "Don't go for me, and I won't go for you." That is the amount of it.

The CHAIRMAN. "Keep off my preserves"?

Mr. GERHARD. Yes; that is it.

The CHAIRMAN. Tell the committee if your company at this time, or at any time for several years past, has been a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States and the ports in Argentina.

Mr. GERHARD. Our line has an understanding with different lines that go to the Argentine, but it is only a verbal understanding.

There is no written agreement in this trade. Since January, 1912, there has been an oral understanding between the Lamport & Holt Line, Houston Line, Prince Line, Barber Line, and Houlder, Weir & Boyd's Line with reference, mainly, to rates. The representatives of the lines meet weekly to discuss the general conditions and matters of rates and contracts, and to exchange views generally with regard to the conditions of ships and of the freight market. Freight rates are determined upon at these meetings and adhered to by the five lines mentioned. Rates are also sometimes changed by mutual arrangement between meetings.

The Norton Line, which is also engaged in this trade, is not a party to this understanding and does not attend the meetings.

It is also a part of the understanding that merchants who contract with individual lines for the shipment of large quantities of materials or for shipments during a season or a year have the privilege of loading such parts of their shipments as they may desire to load upon any steamer or steamers of any of the five lines which may be loading at the time the merchants wish to make the shipment, but subject to arrangement with the agent of the steamer, except contracts that are closed by authority of the respective agents for participation in same. The freight rates earned by each of the lines are its own, and are not pooled.

Each agent represents his own line, receives his commission from his own principal, and there is no pooling of commissions. There is no limitation upon the number or size of the steamers that may be dispatched by any line, nor is there any limitation upon the time at which any party may dispatch steamers. There is no conference in a formal sense, no secretary is employed, and no minutes are kept. No rebates of any kind are given in this trade, and there is no division of territory in it.

The CHAIRMAN. I believe the agents of these conference lines make the rates?

Mr. GERHARD. Yes, sir; we make the rates.

The CHAIRMAN. They are not made in London?

Mr. GERHARD. No; we make the rates here, but we are really guided by the European tariff. We base our rates here on the European tariff. Our desire here is to keep them on a level. It is to our own interest to keep the trade on this side and not have it go to Europe. It is to my personal interest to get all the trade I can on this side of the Atlantic.

The CHAIRMAN. That is, your compensation—

Mr. GERHARD. My compensation is on the freight earned. The more cargo is carried the more commission I earn.

The CHAIRMAN. What was the situation when this understanding was entered into between yourself and the other lines down at the Argentine conference?

Mr. GERHARD. Prior to that?

The CHAIRMAN. Yes.

Mr. GERHARD. I was paddling my own canoe. I was working alone. Prior to working alone we had a kind of understanding to work together, but it only lasted a short time.

The CHAIRMAN. How did they get together and work this out—

Mr. GERHARD. I was not in it at all in 1911. I worked entirely alone in 1911.

Mr. HARDY. How did you fix your rates?

Mr. GERHARD. I fixed them the best way I could. I tried to see what the others were charging. I did not get their tariff. I tried to see how near I could keep to them, because I did not want to cut rates any more than necessary. Of course I do not want to take less than my neighbors.

The CHAIRMAN. You spoke about rebates and preferred rebates. I do not recall having asked you what the conditions are in that regard in the Brazilian trade.

Mr. GERHARD. There are absolutely no rebates in the outward business.

The CHAIRMAN. How is it with reference to inward business?

Mr. GERHARD. I do not know anything at all about the coffee business. I am absolutely ignorant. My authority is simply for shipments from New York, from the United States. I have never been informed by Mr. Knott in any manner about the coffee business. All I do when the steamers come up is to deliver the coffee and collect the freight, but I do not know anything at all about the terms of the coffee arrangement.

The CHAIRMAN. Is there or not an existing arrangement by which the agents' commissions are pooled?

Mr. GERHARD. No, sir; there is no pooling of commissions, positively.

The CHAIRMAN. Either of the incoming or outgoing freight?

Mr. GERHARD. No pooling whatever, positively. That is the case since I have been agent. I am talking about the time since I have been agent, since 1908.

The CHAIRMAN. In January, 1912, you came together and entered into this oral understanding. Who were the parties that did that? Name them.

Mr. GERHARD. Who were the parties that came together?

The CHAIRMAN. Yes, sir.

Mr. GERHARD. I think I gave them a moment ago.

The CHAIRMAN. Who represents the Lamport & Holt Line?

Mr. GERHARD. Busk & Jevons; Busk & Daniels now. The Barber Line—

The CHAIRMAN. Who represents the Barber Line?

Mr. GERHARD. Barber & Co. Houlder & Boyd represent the American-Rio Plata Line—

The CHAIRMAN. Who represent the Prince Line?

Mr. GERHARD. I represent the Prince Line. R. P. Houston & Co. represent the Houston Line. Those are the lines.

The CHAIRMAN. I believe you said you are also engaged in the South African trade?

Mr. GERHARD. Yes, sir.

The CHAIRMAN. Tell the committee if your company is now or has been in recent years a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic, or both, to or from the United States and South Africa.

Mr. GERHARD. We are. The Prince Line have an understanding with the Hansa Line, the Bucknall Steamship Line, Barber & Co., R. P. Houston & Co., the Union Castle Line, and the Prince Line. Those are the lines that work together in the South African business.

The CHAIRMAN. State what that agreement is.

Mr. GERHARD. I have not the agreement, and I really have never read it. All I can say is that it is an old agreement that was in existence before I took over the agency, and we simply meet in the different agents' offices and report the loading of the steamers, etc., report contracts, and anything of that kind. I came in, and they seemed to work it in that way. I do not know anything really about the details of the agreement.

The CHAIRMAN. You have a New York committee?

Mr. GERHARD. Yes; the agents all meet together.

The CHAIRMAN. And there is an agreement?

Mr. GERHARD. Oh yes, sir; there is an agreement.

The CHAIRMAN. Which is still in force?

Mr. GERHARD. Yes, sir.

The CHAIRMAN. But you say you never saw the text of the agreement?

Mr. GERHARD. No, sir; I haven't it.

The CHAIRMAN. And the rates charged by each of the lines——

Mr. GERHARD. The rates are given from London. We have no discretion at all here. We get orders from London.

The CHAIRMAN. When you say from London, you mean from the——

Mr. GERHARD. I suppose they have their representatives there who give us the orders.

The CHAIRMAN. You get them through the secretary——

Mr. GERHARD. I do not think so. We cable to Bucknall Brothers & Co., and they cable back instructions.

The CHAIRMAN. You have no discretion with reference to rates at all?

Mr. GERHARD. No; no discretion at all. In fact, they name the steamers that are to load in turn. We keep one steamer loading on the berth all the time. As soon as the steamer is about completed we cable to London, "Name steamer," and they name the next steamer.

Mr. COLLIER. May I ask one question right on that line? I understood you to say some time ago that at this weekly meeting you discussed general conditions and rates. What effect does the rate situation have in this weekly meeting?

Mr. GERHARD. I think we spoke about the Brazil and the River Plata trade when I said we discussed the rates. We are now talking about South Africa.

The CHAIRMAN. Those South African rates are fixed in London. In the Brazil trade I understood you made the rates here?

Mr. GERHARD. No; not in the Brazil trade.

The CHAIRMAN. In Argentina?

Mr. GERHARD. Yes; that is the River Plata trade.

Mr. HUMPHREY. How is it in the Brazilian trade? Are the rates fixed——

Mr. GERHARD. The rates are as I have already stated. We get instructions from London as regards rates.

Mr. HUMPHREY. For the Brazilian trade?

Mr. GERHARD. Yes.

Mr. STEPHENS. You stated that some years ago the New York agents were allowed to make rates here on certain articles?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. But that later that privilege had been taken away from you?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. How long ago was that?

Mr. GERHARD. I think about two years ago.

The CHAIRMAN. Are there any other lines in the South African trade competing with your lines?

Mr. GERHARD. Not to my knowledge.

Mr. AYRES. Returning for a moment to the Argentine trade, you stated that you did not personally know that any rebates were paid on the trade north?

Mr. GERHARD. No; that was Brazilian trade.

Mr. AYRES. Brazilian trade? Well, while it is true that you do not personally know it, of course a good many things are rumored around. With regard to those rebates on the trade from Brazil, is it the general understanding or the rumor of the trade that such rebates are only paid on the coffee shipments, or on the whole trade?

Mr. GERHARD. I believe it is only on the coffee shipments, but it is only a supposition. I have never seen those agreements and it is really since the agitation commenced in New York when I was called before the United States district attorney there that he showed me one of those circulars. That is the first information I had of it.

The CHAIRMAN. Taking all these ports, where these lines are in conference, you say there is no pooling of earnings, but it is your effort to distribute the tonnage so that each line will get its equitable share?

Mr. GERHARD. As regards that, there is a good deal of competition between the different agents to get all the freight they can. I think you must have misunderstood me. I did not say we tried to distribute the trade.

The CHAIRMAN. I am only asking you if that is the fact.

Mr. GERHARD. No, sir; it is not. On the contrary we agree only upon rates; that is all. We do not cut under. Then we go ahead and see who can do the best about cargo. Of course, there is a friendly feeling between the agents, and if I find one of the lines have a steamer a little short of cargo and I have some cargo available, and they ask me for it, I turn it over to them and get the steamer out of the way and let the other steamer get the cargo coming in. We help each other that way, you know. But otherwise there is a good deal of competition for freight.

Mr. HARDY. Is not the purpose of this designating which steamer shall go on the berth and be ready to sail—is not the purpose of that to make an equitable distribution of the trade?

Mr. GERHARD. That is the African trade.

Mr. HARDY. I am speaking of the African trade.

Mr. GERHARD. We were just now talking about the Argentine. In the African trade the policy is to keep one steamer only on the berth.

Mr. HARDY. And to divide equitably between these lines?

Mr. GERHARD. Yes. That is so as to let each line have its full share of the market and supply the necessary tonnage. If we find we can load a steamer in eight days, if there is a great deal of cargo offering, we cable for another steamer sooner.

Mr. HARDY. And the authority over there in London keeps you equitably divided—

Mr. GERHARD. That is it. They no doubt have their understanding.

Mr. HARDY. With the purpose of giving each line its proportionate share?

Mr. GERHARD. That is the idea.

Mr. HARDY. While there is, so far as you know, no pooling, there is a division of custom?

Mr. GERHARD. So as to avoid cutting, you know. If there is not regularity in the trade you can not run it successfully.

Mr. HARDY. In the Argentine trade is there any way by which you can tell which steamer can go—

Mr. GERHARD. No; the agents can put on as many steamers or as big steamers as they want—

Mr. HARDY. You have the management of that in the United States?

Mr. GERHARD. That is controlled in New York; yes.

Mr. HARDY. And you do really compete to see who can get the most business?

Mr. GERHARD. Indeed there is a good deal of scrapping around.

Mr. STEPHENS. The ownership of the Argentine lines is where?

Mr. GERHARD. Those are all British ships.

Mr. STEPHENS; All owned in Great Britain?

Mr. GERHARD. Yes.

Mr. HARDY. I think you said there were three of these Argentine lines owned in the United States?

Mr. GERHARD. They are controlled in New York. He charters a good many steamers. He does not own many himself, and he charters in the open market.

Mr. HARDY. But the owners of the lines are Americans?

Mr. GERHARD. Barber controls his own line.

Mr. HARDY. You say there are three in New York?

Mr. GERHARD. The next one is Houlder, Weir & Boyd. They control the line.

Mr. HUMPHREY. When you say they control the line you do not mean they own the line?

Mr. GERHARD. No; a number of the lines do not own enough steamers to allow them to supply the berths. In that case they simply charter steamers and put them on.

Mr. HARDY. While they have the vessels chartered they own all there is to the line? All they have in the line is the trade and vessels chartered, and they own that?

Mr. GERHARD. That is all.

The CHAIRMAN. Mr. Gerhard, these conference lines which you have referred to as trading to South Africa also trade to the east coast of Africa, do they not?

Mr. GERHARD. It is South Africa and some of the east coast; yes. We go as far north—well, I have forgotten some of the names. They call it South and East Africa—the ports in South and East Africa.

The CHAIRMAN. The agreement covers that whole trade?

Mr. GERHARD. South and East Africa.

The CHAIRMAN. Of course, you have contracts with individual shippers in these different trades?

Mr. GERHARD. Well, in some trades, yes, we have more than in others. For instance, in the African trade I have no special contracts at all. In the Brazil trade I have some contracts, and in the River Plata trade I have some contracts.

The CHAIRMAN. Have you copies of them?

Mr. GERHARD. Yes, sir. The subpoena spoke of five contracts in which we had given special privileges or advantages.

The CHAIRMAN. Yes.

Mr. GERHARD. I do not consider any of my contracts as giving any special privileges or advantages. I thought I would bring the contracts, so you can judge for yourself. In reference to the River Plata contract I should like to explain the position. We have at New York some four or five merchants—merchant houses that ship from 50,000 to 100,000 tons of agricultural machinery during the year, besides a good many other goods. These houses want contracts. They want to be prepared when their goods arrive; they want to know that the steamers are ready to take them, and they like to make a contract. So, of course, we feel that it is to our interest to make contracts. The result is that we have got into a way of making these contracts generally in the spring of the year for a year, and these houses are pretty close traders. When we finally close a contract with one of these houses, which generally is for agricultural machinery, at lower rates than our tariff rates, being such large quantities, you know, why, the other houses fall in line and close contracts on the same terms. After these big shippers have those lower rates we feel it is but right and proper that the small shippers should have the same rates, and for that reason we then offer those smaller shippers contracts on identically the same terms, so as to give them all a chance to work on the same basis. And that is the way that you find we make a good many more contracts in the River Plata trade than in these other trades.

The CHAIRMAN. I will ask that you give those contracts to the stenographer and he will mark them as exhibits.

Mr. GERHARD. I will do so.

The papers referred to were marked "Exhibit No. 34," sheets 1 to 5, inclusive, and "Exhibit No. 35," sheets 1 to 39, inclusive.

EXHIBIT 34.

NEW YORK, April 26, 1911.

The PARSONS TRADING CO.,
20 Vesey Street, New York City.

DEAR SIR: Referring to our present freighting agreement made with you, dated November 9, 1910, we now desire to avail ourselves of the 30-days' clause contained therein and to withdraw the present rates.

We beg to submit to you the following rates to cover your shipments of news printing paper and pulp board from May 26, 1911, until December 31, 1911:

	If ton of 2,240 pounds does not exceeds 70 cubic feet.	If ton of 2,240 pounds exceeds 70 cubic feet.
To Pernambuco to Dec. 31.....	\$9.00	\$10.20
To Bahia up to July 1.....	10.20	11.40
To Bahia, July 1 to Dec. 31.....	12.00	13.20
To Rio de Janeiro to Dec. 31.....	7.80	8.40
To Santos to Dec. 31.....	7.80	8.40

All per ton of 2,240 pounds landed. The present agreement in all other respects remaining in force.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co., *General Agents.*

Approved.

THE PARSONS TRADING Co.,
Per W. SIEBERT,
Traffic Manager.

NEW YORK, November 9, 1910.

The PARSONS TRADING Co.,
20 Vesey Street, New York City.

DEAR SIRS: We beg to confirm contract made with you on all your shipments of news printing paper and pulp board under your control from New York to Bahia, Rio de Janeiro, and Santos, Brazil, during the months of January, February, March, April, and May next, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

To Bahia, \$7.20.

To Rio de Janeiro and Santos, \$8.

All per ton of 40 cubic feet, landed.

Shipments by the Prince Line and Hamburg Lines to go forward at net rates, and shipments by the Lamport & Holt Line, 10 per cent primage to be added. All other conditions as per contract made with your good selves dated February 1, 1909.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

November 21, 1910.

PARSONS TRADING Co.,
Per WM. J. SIEBERT,
Traffic Manager.

NEW YORK, November 12, 1910.

The BARBER ASPHALT PAVING Co.,
Land Title Building, Philadelphia, Pa.

GENTLEMEN: We beg to confirm contract made with you to-day for all shipments of asphalt and residuum (in custody barrels) under your control from New York to Rio de Janeiro during the next three months, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

By steamers of the Prince Line and Hamburg South American Line and Hamburg American Line, \$5.50 net.

By steamers of the Lamport & Holt Line, \$5.50 net and 10 per cent primage.

All per ton of 2,240 pounds, gross weight; all prepaid on signing of bills of lading and free from alongside.

Please note that the following clause will be inserted in all bills of lading, to be signed by you, viz:

To be taken from alongside the steamer by consignees of goods at their own risk and expense immediately the steamer is ready to deliver. Consignees to send a competent representative, who will sign receipts for each lighter load before it leaves the steamer's side, otherwise the steamer will not be responsible for any claims on the cargo. In default the goods to be landed by the agents of the steamer at expense (including dock dues) and risk of the consignees.

In the event of the consignees failing to carry out this clause, the shipper shall be held, and hereby holds, himself responsible for all expenses incurred thereby.

We have written this letter in duplicate; kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co.,

General Agents.

Accepted by cable authority dated October 28, from Carlos A. de Miranda Jordao.

THE BARBER ASPHALT PAVING Co.,

By F. J. BUXTON, *Agents.*

Messrs. GUINLE & Co.,

New York City.

NEW YORK, *January 21, 1910.*

DEAR SIR: We hereby beg to confirm freight agreement made with you by us, acting for the Prince Line, Lamport & Holt Line, and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service). This agreement to cover the transportation of your entire shipments of lawful merchandise from New York to ports in Brazil named below, on the following terms:

For Pernambuco, Rio de Janeiro, and Santos: Electrical and other machinery (electrical fittings), \$7 per ton, weight or measurement, ship's option; transmission towers (structural material), \$8 per ton, weight or measurement, ship's option; curved plates, \$8 per ton, weight or measurement, ship's option; car material, \$6 per ton, weight or measurement, ship's option; paint and varnish, \$7.50 per ton, weight or measurement, ship's option; copper wire, \$7.50 per ton, weight or measurement, ship's option; lubricating oil, 15 cents per cubic foot—landed.

Above rates apply to pieces not exceeding 2 tons.

Pieces in excess of 2 tons to pay tariff rates for heavy lifts, less 10 per cent.

Locomotives up to 10 tons, 18 cents per cubic foot, F. F. A.

Bahia to pay above rates F. F. A. or \$1.80 per ton additional if landed.

No F. F. A. bill of lading to be signed for less than 40 tons.

Goods not provided for in this agreement to pay tariff rates of steamer carrying the goods.

Rio Grande do Sul: To pay 25 per cent over the contract Rio de Janeiro landed rates, F. F. A.

Porto Alegre: To pay \$4 per ton weight or measurement, ship's option, over Rio Grande do Sul rates; all landed.

Freight to be prepaid against delivery of bills of lading and not subject to any return whatsoever.

F. F. A. cargo to bear the usual signed clause in bills of lading.

Shipments by Prince Line and Hamburg Lines to be without primage.

Lamport & Holt Line to have option of charging 10 per cent primage in addition to the above rates.

The steamship lines agree to provide space on receipt of ample notice of your requirements by steamers of the Prince Line, Lamport & Holt Line and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service).

Pieces too large to go below deck to go on deck at shipper's risk.

It is further agreed that no single piece shall be tendered under this contract exceeding steamers' or ports' handling facilities.

Shipments subject to all conditions of companies' regular bills of lading.

This contract to run during the current month and the three following months and to run thereafter subject to 30 days' notice of withdrawal on the part of either party, but such notice not to be given before April 1, 1910.

Yours faithfully,

PAUL F. GERHARD & Co.,

General Agents.

Accepted:

GUINLE & Co.

This contract was canceled December 6, 1910.

EXHIBIT 35.

NEW YORK, October 2, 1912.

Messrs. ENOCH MORGAN SONS & Co.,

439 West Street, New York City.

DEAR SIRS: We beg to confirm contract made with you to-day covering all your shipments of Sapollo, which you control (approximately 250 tons), hence to Montevideo and Buenos Aires, from date to January 31, 1913, inclusive, at the following rates of freight, viz: Montevideo, \$10 net per ton; Buenos Aires, \$11 net per ton.

All per ton of 40 cubic feet, or 2,240 pounds, steamer's option.

Freight is to be prepaid, and all shipments are subject to the terms and conditions of the regular carrying line's River Plata bills of lading.

We agree that in case the rate of freight on Sapollo is reduced you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per F. SCHARDING,
General Agents.

FS/NJM.

Accepted:

ENOCH MORGAN SONS Co.,

Per EDWIN L. VULTEE.

NEW YORK, August 15, 1912.

Messrs. COLLINS & Co.,

212 Water Street, New York City.

DEAR SIRS: We beg to confirm contract made with you to-day covering all your shipments of lawful merchandise (approximately 1,000 tons), from New York to Montevideo, Buenos Aires and Rosario, from date to April 30, 1913, inclusive, at the following rates of freight, viz:

	Montevideo.	Buenos Aires.	Rosario.
Plows and plow parts (except traction-engine gang plows)....	\$6.40	\$6.40	\$8.00
Shovels and spades.....	8.00	8.00	9.60
Axes.....	13.00	14.00	15.60
Pickaxes.....	10.00	11.00	12.60
Tools.....	13.00	14.00	15.60

All per ton of 40 cubic feet or 2,240 pounds, steamer's option.

Goods not enumerated to pay current rates.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper, or shippers, on any articles named in this contract, you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted:

COLLINS & Co.

NEW YORK, June 21, 1912.

Messrs. J. WASSERMANN & Co.,

24 Stone Street, New York City.

DEAR SIRS: We beg to confirm engagement made with you to-day of 50,000 wine-barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid; for shipment from October next to April, 1913, inclusive, in quantities as may be mutually arranged.

All shipments subject to the carrying line's regular bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & Co.,
PHIL. SEGALLER.

NEW YORK, June 14, 1912.

Messrs. J. WASSERMANN & Co.,
24 Stone Street, New York City.

DEAR SIR: We beg to confirm contract made with you to-day for shipment of 50,000 barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid, as customary; to go forward in about equal monthly quantities, commencing July next, as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & Co.,
PHIL. SEGALLER,

Memorandum of freight contract made this 1st day of June, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Adriance, Platt & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,000 tons), from New York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, twenty (20) days for lots under five hundred (500) tons and thirty (30) days for larger lots) is given.

Rates of freight as follows:

	Cents.
Class 1. Agricultural machinery—say, harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn-pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)-----	16
Class 2: Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters-----	18
Class 3. Binder twine. per bale-----	28

General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper, or shippers, on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.
ADRIANCE, PLATT & Co.,
C. J. BRUIST,
Assistant to Vice President.
JAMES A. NICHOLS,
Freight Broker.

NEW YORK, May 31, 1912.

The ANSONIA CLOCK Co.,
99 John Street, New York City.

GENTLEMEN: We beg to confirm contract made with you to-day covering all your shipments of clocks (approximately 10,000-15,000 cubic feet) hence to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, at the following rates of freight, viz: Montevideo, 25 cents per cubic foot; Buenos Aires, 27½ cents per cubic foot; Rosario, 31½ cents per cubic foot.

All freight is to be prepaid and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper or shippers on clocks you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

THE ANSONIA CLOCK Co.
RAYMOND J. SCHWEIZER.

Memorandum of freight contract made this 28th day of May, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Messrs. Heywood Bros. & Wakefield Co., party of the second part, for their entire shipments of lawful merchandise, which they control, from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice is given.

Rates of freight as follows:

Cane and wood seat and folding chairs, children's vehicles, bentwood chairs, rattan mats, chair cane, car seats, woven cane web seating, reed and rattan specialties, Montevideo, 17½ cents; Buenos Aires, 17½ cents; Rosario, 21½ cents.

All per cubic foot; all freight prepaid; all shipments subject to the carrying line's regular bill of lading.

Other articles to be charged at current tariff rates.

It is further agreed that in case the Prince Line reduces the rates of freight to any other shipper or shippers on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Agents of Prince Line.
HEYWOOD BROTHERS & WAKEFIELD Co.
HENRY H. MORRELL.

Memorandum of freight contract made this 10th day of May, 1912, between Paul F. Gerhard & Co., agents of the Prince Line, party of the first part, and Messrs. William H. Knox & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 50,000 tons) from New York to Montevideo, La Plata, Buenos Aires, and Rosario from May 24, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, 20 days for lots under 500 tons and 30 days for larger lots) is given.

Rates of freight as follows:

Cents.

Class 1. Agricultural machinery, say, harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, barrows, plows (except traction-engine gang plows)-----	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters-----	18
Class 3. Lubricating oil-----	15
Class 4. Windmill material-----	19
Class 5. Agricultural engines and thrashers (over 3 tons and not exceeding 24,000 pounds)-----	22
Agricultural engines and thrashers (up to 3 tons)-----	20

	Cents.
Class 6. Binder twine, per bale.....	23
Class 7. Wheelbarrows, shovels, spades, hayforks.....	20
Class 8. Chairs, desks, common furniture.....	17½
Special. Machinery, including gas engines (up to 2 tons).....	20
Automobiles (until Dec. 31, 1912):	
Not exceeding 2 tons.....	15
Over 2 tons.....	18

General cargo and hardware and cargo not otherwise enumerated at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Rates to La Plata shall be 3 cents per cubic foot, or 56 pounds, over the Buenos Aires rate.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

The rate on binder twine to La Plata shall be 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at ——— per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight except thrashers.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, inflammables, rosin, and other rough or dangerous cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper or shippers on any articles named in this contract, the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,

Agents Prince Line.

WILLIAM H. KNOX & Co.

Memorandum of freight contract, made this 1st day of May, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Hughes & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Rates of freight as follows:

	Cents per cubic foot.
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers, and parts thereof, carts, harrows, plows (except traction-engine gang plows).....	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters.....	18
Class 3. Lubricating oil.....	15
Class 4. Windmill material.....	19
Class 5. Agricultural engines and threshers (over 3 tons, and not exceeding 20,000 pounds).....	22
Agricultural engines and threshers (up to 3 tons).....	20
Class 6. Binder twine, per bale.....	23
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, common furniture.....	20
Special. Machinery (including gas engines) (up to 2 tons).....	20
Automobiles (until Dec. 31, 1912):	
Not exceeding 2 tons.....	15
Over 2 tons.....	18

General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight (except threshers).

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular line's River Plata bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
Agents of Prince Line.
HUGHES & Co.

NEW YORK, May 1, 1912.

Mr. J. R. MELCHER, *New York.*

DEAR SIR: We beg to confirm contract made with you to-day for shipment of 24,000 wine barrel shooks, hence to Buenos Aires, at the rate of 16 cents net per cubic foot, prepaid as customary.

Shipments during the balance of the present year, in about equal monthly quantities, and as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

Accepted with the understanding that quantity may be 21,000 only, my option, to be declared by May 9, 1912.

J. R. MELCHER.

APRIL 30, 1912.

Messrs. JOHN DUNN, SON & Co., *Present.*

DEAR SIR: In consideration of your continued patronage, we hereby agree to accept your shipments, say to April 30, 1913, on the following terms:

Contract rates on all contract goods. Tariff rates on the balance of shipments.

It is understood that you are to receive as favorable rates, terms, and conditions as any other shipper.

It is understood the volume of shipments by our line is estimated on the basis of year ending April 30, 1912. Any increase over 10 per cent to be subject to mutual agreement.

Upon receipt of your letter accepting and ratifying the conditions named above, this is to be considered a contract.

Yours, truly,

PAUL F. GERHARD & Co.,
Agents Prince Line.

NEW YORK, May 1, 1912.

Messrs. PAUL F. GERHARD & Co.,
8 Bridge Street, *New York.*

DEAR SIR: Your favor of April 30 received, protecting our shipments by the Prince Line to April 30, 1913, and in reply beg to state that we accept the conditions named therein.

Yours, truly,

JOHN DUNN, SON & Co.

NEW YORK, April 30, 1912.

FISKE BROS. REFINING Co.,
New York.

DEAR SIR: We beg to confirm contract made to-day with your goodselves for shipment of about 6,000 barrels lubricating oil, hence to Buenos Aires and

Rosario, at the following rates, viz: Buenos Aires, 15 cents net per cubic foot; Rosario, 19 cents net per cubic foot.

All freight prepaid as customary.

Shipment from date to April 30, 1913, inclusive, in about equal monthly quantities as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

HC/NJM
Accepted:

FISKE BROTHERS REFINING CO.
H. F. FISKE, *President.*

Witness:

G. P. FISKE.
F. J. SNYDER.

Memorandum of freight contract, made this 22d day of April, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and the Gerhard & Hay Co., as agents for the Emerson-Brantingham Co., Rockford, Ill., party of the second part.

Party of the first part agrees to provide transportation for all shipments of plows (riding), planters, harrows, mowers, and rakes which the party of the second part may have to ship to Montevideo, Buenos Aires, and Rosario, to April 30, 1913, inclusive, estimated at 400 to 600 tons, at the following rates of freight:

	Montevideo or Buenos Aires.	Rosario.
	<i>Cents.</i>	<i>Cents.</i>
Harrows, mowers, rakes, and plows (riding, not traction-engine gang plows).	16	20
Grain planters.....	18	22

All per cubic foot or 56 pounds, at steamer's option.

All freight prepaid.

All shipments subject to the regular carrying line bills of lading.

It is also mutually agreed and understood that this contract covers the entire shipments of Emerson-Brantingham Co., of Rockford, Ill., for shipment to River Plata ports, and shipments shall only be made from New York by steamers designated by party of the first part.

It is also mutually agreed and understood that if lower rates prevail during the above-mentioned period the party of the first part shall protect the party of the second part, either by meeting the rates or permitting party of the second part to engage room and ship by other steamship lines, each and every shipment to be submitted to party of the first part for their instructions before action is taken.

In connection with the foregoing it is agreed as follows:

Emerson-Brantingham Co. are to be protected by steamship lines at the lowest rates accepted under any contract for the same class of implements to the ports named in this contract.

This contract is to cover all business controlled (as to routing) by Emerson-Brantingham Co., and they agree in good faith everything possible under this arrangement.

In event that any consignees make steamship arrangements contrary to this contract and the Emerson-Brantingham Co. can not induce them to permit shipment under this contract, they have privilege of shipping by such steamer or steamers as consignees may instruct.

The steamship lines to be used under this contract are as follows: Prince Line, Houston Line, American & Rio Plata Line, Barber Line, and Norton Line.

PAUL F. GERHARD & Co., *Agents.*

Accepted April 26, 1912.

EMERSON-BRANTINGHAM CO.,
J. D. WHITE, *Salesman.*

Memorandum of freight contract, made this 22d day of April, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and J. H. Snyder, party of the second part, for his entire shipments of lawful merchandise (approximately 500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Rates of freight as follows:

Cents per cubic foot.

Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows)-----	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, and grain planters-----	18
Class 3. Lubricating oil-----	15
Class 4. Windmill material-----	19
Class 5. Agricultural engines and threshers (over 3 tons and not exceeding 20,000 pounds)-----	22
Agricultural engines and threshers (up to 3 tons)-----	20
Class 6. Binder twine, per bale-----	28
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, and common furniture-----	20
Special:	
Machinery (including gas engines) up to 2 tons-----	20
Automobiles (until Dec. 31, 1912)-----	
Not exceeding 2 tons-----	15
Over 2 tons-----	18
General cargo and hardware and cargo not otherwise enumerated, at current rates.	

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight (except threshers).

Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.

All freight is to be prepaid and all shipments subject to terms and conditions of the regular lines River Plata bill of lading.

PAUL F. GERHARD & Co.,
Agents of Prince Line.
J. H. SNYDER.

DECEMBER 11, 1911.

Mr. ROBERT E. LERER,
New York City.

DEAR SIR: We beg to confirm contract made this day with you for all your shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date until December 31, 1912, inclusive, at the following rates of freight, viz:

	Montevideo and Buenos Aires.	Rosario.
	Cents.	Cents.
Beer tonic-----	16	20
General merchandise, current rates.		

All the above prepaid as customary. Shipments to go forward by steamers of the Prince Line or other steamers as designated by us.

This contract is written in duplicate, one of which kindly accept and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
D. H. CONNOR, *General Agents.*

Accepted:

ROBERT E. LEGER

Memorandum of freight contract, made this 11th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and the Cadillac Motor Car Co., Detroit, Mich., parties of the second part, for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot; to Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 2 tons in weight.

The following declaration to be given by the Cadillac Motor Car Co. with each shipment of automobiles, viz:

"We hereby certify that the gross weight of-----marked-----that we wish to ship by steamer-----to sail-----is-----pounds, and that the dimensions are as follows:-----Also that no gasoline, prestolite, carbide, water, cotton waste, india rubber, solution, spirit varnish, petrol, or any other article of a dangerous character remains in the tanks or other receptacles, and that the tanks, etc., have been blown out by fresh air."

Shipments to go forward by steamers of the Prince Line, and / or other steamers, as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co., *Agents.*

Accepted for Cadillac Motor Car Co.

Per GERHARD & HEY,
J. W. WALTER.

Memorandum of freight contract, made this 8th day of December, 1911, between Paul F. Gerhard & Co., agents of the Prince Line, parties of the first part, and Messrs. A. S. Lascelles & Co., parties of the second part, for their entire shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive.

Parties of the first part agree to provide tonnage for the above lawful merchandise; parties of the second part to give reasonable notice of intended shipments (say, 20 days), said goods to go forward at the lowest rate of freight for like articles on the steamer carrying the goods.

Lumber, rosin, kerosene, and other rough cargo are not covered by this agreement, and to be subject to special arrangement.

All freight to be prepaid as customary.

It is also agreed that the parties of the second part are at liberty to ship by any other line such goods as are specifically ordered by consignee to be shipped by any particular line.

PAUL F. GERHARD & Co.,
General Agents, Prince Line.
Per H. CONNOR.
A. S. LASCELLES & Co.,
South American Department.
Per OTTO GELOCHER, *Manager.*

NEW YORK, December 9, 1911.

Mr. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 72,000 wine barrel shocks, hence to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid; for shipment in about equal monthly quantities of 9,000 barrels each, commencing February, 1912, as arranged to mutual convenience.

Shipments to go forward by steamers of the Prince Line and / or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agent

Per H. CONNOR.

Accepted.

J. R. MELCHER.

DECEMBER 9, 1911.

DECEMBER 9, 1911.

BROOKLYN COOPERAGE Co.,
New York City.

GENTLEMEN: We beg to confirm engagement made with you to-day of 15,000 wine barrel shocks, hence to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid as customary; for shipment in about equal monthly quantities of 3,000 barrels each, commencing February, 1912, as arranged to mutual convenience.

Shipments to go forward by steamers of the Prince Line, and/ or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept one and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted.

BROOKLYN COOPERAGE Co.

Memorandum of freight contract, made this 6th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine barrel shocks, at the rate of 11 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during second six months of 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSELMANN & Co.

Memorandum of freight contract, made this 1st day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Messrs. Ault & Wiborg Co., parties of the second part, for their entire shipments of printing ink from New York to Montevideo, Buenos Aires, and Rosario, from January 2, 1912, to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 19 cents net, per cubic foot; to Rosario, 23 cents net, per cubic foot. All prepaid as customary.

Shipments to go forward by steamers of the Prince Line, and/ or other steamers as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Agents.

Accepted.

THE AULT & WIBORG Co.,
L. A. AULT,
President.

Memorandum of freight contract made this 3d day of November, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and the Gulf Cooperage Co., of Pittsburgh, Pa., party of the second part, for shipment of 150,000 (10 per cent more or less) wine barrel shooks, from New York to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid as customary.

Shipments to go forward in about equal monthly quantities during the year of 1912, as arranged to mutual convenience.

Prince Line agrees to furnish not less than one steamer per month.

All shipments subject to terms and conditions of regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

GULF COOPERAGE CO.

Memorandum of freight contract, made this 20th day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Brown Portable Elevator Co., party of the second part, for their entire shipments of portable elevators from New York to Montevideo, Buenos Aires, and Rosario from date to May 1, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, \$8 per ton; to Rosario, \$9.60 per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary, and no package to exceed 2 tons in weight.

The Prince Line agree to furnish not less than one steamer per month; all shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

THE BROWN PORTABLE ELEVATOR CO.

Memorandum of freight contract, made this 1st day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Studebaker Corporation (E. M. F. factories), Detroit, Mich., parties of the second part, for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot.

To Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 3 tons in weight.

The following declaration to be given by the Studebaker Corporation with each shipment of automobiles, viz:

"We hereby certify that the gross weight of automobile marked ----- that we wish to ship by steamer ----- to sail ----- is ----- pounds, and that the dimensions are as follows -----; also that no gasoline, prestolite, carbide, or water remains in the tanks, and that the tanks have been blown out by fresh air."

The Prince Line agree to furnish not less than one steamer per month.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

STUDEBAKER CORPORATION,
G. M. SHERMAN,
General Traffic Manager.

Memorandum of freight contract, made this 21st day of August, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Mr. Ed. Maurer, party of the second part, for his entire shipments from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1912, inclusive, viz:

	Monte- video and Buenos Aires.	Rosario.
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shakers and parts thereof, cleaners, harrows, carts, hay presses, grain mills, grain planters, land rollers, pulverizers, plows.....	Cents. 10	Cents. 13
Class 2. Wheelbarrows, chairs, desks, common furniture, shovels, spades, hayforks, and windmill material.....	12	15
Class 3. Binder twine (per bale).....	16	22
Class 4. Gas engines.....	14	17
Class 5. Automobiles (up to 3 tons in weight).....	15	18
Class 6. General cargo and cargo not otherwise enumerated, at current rates.		

All the above per cubic foot or 56 pounds, steamer's option, prepaid as customary, and no piece to exceed 2 tons in weight, except where specified.

All shipments subject to terms and conditions of the regular line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

Per prc ED. MAURER.
CHAS. H. FICTOR.

Memorandum of freight contract, made this 31st day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 35,000/40,000 wine barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires, from date to June 30, 1912, inclusive.

Shipments to be made in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSELMANN & Co.

1½ per cent brokerage to James A. Nichols.

Memorandum of freight contract, made this 29th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 2,000 wine barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment as follows: 1,000 November, 1911; 1,000 February, 1912.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSELMANN & Co.,
PHIL. SEGALLER.

Memorandum of freight contract, made this 27th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 13,200 wine barrel shooks, at the rate of 10 cents per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during the following months of 1911 and 1912 in quantities as follows: August, 2,800; September, 800; October, 2,800; November, 800; December, 2,000; February, 2,000; March, 2,000.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

Memorandum of freight contract, made this 24th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Messrs. Adriance, Platt & Co., parties of the second part, for all shipments controlled by them of harvesters and binders, mowers, rakes, and parts, from New York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1912, inclusive at the following rates of freight, viz:

To Montevideo and Buenos Aires 10 cents net per cubic foot, or \$4 net per ton.
To Rosario 13 cents net per cubic foot, or \$5.20 net per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
General Agents Prince Line.

Accepted.

ADRIANCE, PLATT & Co.

JULY 11, 1911.

MESSRS. OELRICHS & Co.,
New York City.

DEAR SIR: We are in receipt of your esteemed favor of the 10th instant and beg to confirm agreement made with you, which is to cover all your shipments of leather to Buenos Aires, account of Messrs. Tomas & Co., the clause, as stated in your letter, to be initialed by you.

We reserve the privilege of naming steamers of the Prince Line or other lines to carry the goods.

In accordance with your telephonic communication we have booked about 2,500 cubic feet leather to go forward under this contract per steamship *Chinese Prince*.

Your, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted.

OELRICHS & Co.

JULY 11, 1911.

MESSRS. OELRICHS & Co.,
Forwarding Department, New York City.

DEAR SIR: Referring to our respects of even date, we omitted to repeat in writing the verbal understanding with you that, although the leather is of much greater value than \$100 per package, you agree to limit the value of your shipments to this figure in consideration of the reduced rate of freight at which we have agreed to carry the same, and any claims that may occur are to be limited in settlement to this figure.

Your, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

MESSRS. PAUL F. GERHARD & Co.,
10 Bridge Street, City.

NEW YORK, July 10, 1911.

GENTLEMEN: We be leave to confirm the arrangement made with your Mr. Gerhard with reference to the shipping by us by the steamers of the Prince Line, for the account of Tomas & Co., leather in cases to Buenos Aires.

Our instructions from Tomas & Co. are to close this contract with you from date until December 31, 1912, the understanding being that the rate of freight to be charged on such shipment of leather will be 25 cents per cubic foot, without reference to the value, and the clause reading as follows—

"It is agreed that the value of the within merchandise does not exceed \$100 per package, and freight rate is fixed on this basis,"

to be inserted on the bill of lading.

We would ask you kindly to acknowledge receipt of this letter, advising us if our understanding in this connection is correct and also if you will be prepared to accept our shipments on this basis.

Yours, very truly,

OELRICHS & Co., Forwarding Dept.
Per F. HENJES, Manager.

Memorandum of freight contract, made this 10th day of June, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine-barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary, hence to Buenos Aires; shipment up to and including March, 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

JUNE 6, 1911.

Mr. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 18,400 wine-barrel shooks for shipment hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, to go forward as follows: 1,200 barrels, August; 5,000 barrels, September; 5,000 barrels, January, 1912; 2,400 barrels, February, 1912; 2,400 barrels, March, 1912; 2,400 barrels, April, 1912.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted.

J. R. MELCHER.

NEW YORK, January 27, 1911.

Messrs. ARKELL & DOUGLAS,
65 Beaver Street, New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 21,000 barrel shooks, hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, for shipment as follows, viz: 5,000 barrels during February, 4,000 barrels during March, 4,000 barrels during April, 4,000 barrels during May, 4,000 barrels during June.

Shipments to go forward by steamers of the Prince Line, Barber Line, Norton Line, and American and Rio Plata Line, as arranged to mutual convenience.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

HC/NJM
Accepted.

ARKELL & DOUGLAS (Inc.),
S. R. SCOTT,
Manager South American Department.

NEW YORK, *January 4, 1911.*

Messrs. HEYWOOD BROS. & WAKEFIELD Co.,
129 Charlton Street, New York City.

GENTLEMEN: We beg to confirm working agreement made with you to-day of all your shipments of cane and wood-seat chairs, reed and rattan furniture, children's carriages and gocarts, bent-wood chairs, rattan mats, chair cane, car seats and woven-cane web seating, folding chairs, and reed and rattan specialties hence to Montevideo, Buenos Aires, and Rosario, from January 1, 1911, to December 31, 1911, at the following rates of freight: Montevideo and Buenos Aires, 12 cents per cubic foot; Rosario, 16 cents per cubic foot.

Freight prepaid.

Shipments to go forward by the steamers of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Howard Houlder & Partners, and Messrs. Norton & Son, as may be arranged to mutual convenience.

Shipments, if any, made by the Lamport & Holt Line to be allowed under this agreement, subject to their acceptance at above rates.

We hand you this letter in duplicate. Kindly return one copy duly approved.
Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved, January 5, 1911.

HEYWOOD BROS. & WAKEFIELD Co.,
F. H. GREEN.

CG/NJM

NEW YORK, *June 29, 1910.*

Messrs. WM. H. KNOX & Co.,
Produce Exchange, New York City.

DEAR SIR: We beg to confirm working agreement made with you to-day on behalf of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Norton & Son, and Messrs. Howard Houlder & Partners, for all your shipments of lawful merchandise hence to Montevideo, Buenos Aires, and Rosario to the end of the present year, at the following rates of freight:

	Montevideo or Buenos Aires.	Rosario.
Wheelbarrows, agriculturals, carts, wagons, rakes, forks.....	1 \$0. 10	1 \$0. 13
Chairs, desks, shovels, pumps, grindstones, lanterns.....	1. 12	1. 15
Binder twine.....	2. 16	2. 22
Hardware, per ton, weight or measurement.....	5. 60	6. 90

¹ Per cubic foot.

² Per bale.

Ship reserves right of charging 1 per cent on valuation.

Other articles not specified at current rates.

It is understood that you agree to confine your shipments during the balance of the present year to the above lines.

Lumber, hardwood, and kerosene are not included in this agreement.

We hand you this letter in duplicate. Kindly return one copy, duly approved.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved.

WILLIAM H. KNOX & Co.

NEW YORK, *April 5, 1910.*

Messrs. HEYWOOD BROS. & WAKEFIELD Co.,
New York City.

GENTLEMEN: We beg to confirm working agreement made with you to-day on behalf of the Prince Line, Messrs. Barber & Co., Messrs. Norton & Son, and Messrs. Howard Houlder & Partners for all your shipments of chairs and furniture hence to Montevideo, Buenos Aires, and Rosario to the end of the present

year at the following rates of freight: To Montevideo and Buenos Aires, 10 cents per cubic foot; to Rosario, 13 cents per cubic foot.

Freight prepaid.

It is understood that you will confine your shipments during the balance of the year to the above-named lines.

We hand you this letter in duplicate. Kindly return one copy, duly approved.

Very sincerely, yours,

PAUL F. GERHARD & Co.,
General Agents.

Shipments, if any, made by Lamport & Holt Line to be allowed under this arrangement (subject to their acceptance at above rates).

HEYWOOD BROTHERS AND WAKEFIELD CO.
F. H. GREEN.

The CHAIRMAN. Are those joint contracts as between the conference lines?

Mr. GERHARD. No; each line makes its own contracts. Where it comes to large bulk and one line does not care to assume the responsibility of the whole contract, why, they will ask other lines to take part in that contract. Then, of course, in such contracts as are authorized those contracts are made for joint accounts, but otherwise really those contracts are made individually for each line. Only, as I state there in my declaration, the shippers have the privilege of shipping by any of those lines by making their own arrangements with the agents.

Mr. HUMPHREY. But they are limited in giving all of their shipping either to your line or to other lines in the conference, are they not?

Mr. GERHARD. Well, the merchants themselves agree to ship all their goods for that contract. They agree to ship all their goods.

Mr. HUMPHREY. They agree to ship all their goods by your line or by some line in the conference?

Mr. GERHARD. Yes. Some years ago, when the lines were all fighting and rates got down to 10 cents or even lower, none of the lines was disposed to dispatch more than one small steamer a month. The result was that at one season in New York Harbor there were any number of lighters loaded up with cargo for the River Plata and no steamers to take it. The merchants were asking, "What is the rate?" "The rate is 10 cents a foot." "Well, give me room for it." "I have not got any room. You have got to wait." See? They were ready to pay almost any price, and that is the reason why they are willing to make their contract ahead and know that they can depend upon facilities to ship.

Mr. STEPHENS. About those contracts, you stated that certain large firms were given contracts.

Mr. GERHARD. Yes.

Mr. STEPHENS. That after those contracts were closed then the same terms were offered to the smaller shippers?

Mr. GERHARD. Yes; the identical terms.

Mr. STEPHENS. How long is such an offer open to the small shipper?

Mr. GERHARD. How long? Those contracts are made generally for a year, you know.

Mr. STEPHENS. But for how long a time can these smaller shippers come in and make that contract? Are they limited to a month's time or a year?

Mr. GERHARD. They can make it for a year.

Mr. STEPHENS. No; but when can they make the contract?

Mr. GERHARD. You mean, we give them the offer open to their acceptance?

Mr. STEPHENS. Yes.

Mr. GERHARD. That is a matter of agreement or convenience of the merchant. If he wants a week or two to consider we do not hesitate to give it to him.

Mr. STEPHENS. You close it up within a month after the big fellows are signed up?

Mr. GERHARD. Yes. If a man tells me he must write out to the river, and that he must have 30 days in which to get a cable, he will get it.

Mr. STEPHENS. Suppose that the large contractors or large shippers had made their contracts with you—

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And I was a smaller shipper—

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And I came in a month after you closed those larger contracts, would you give me the same rate?

Mr. GERHARD. Yes; if you were willing to make a contract with me.

Mr. HARDY. A contract for the balance of the year?

Mr. GERHARD. A contract for the balance of the year. We like to have these contracts expire all at the same time.

Mr. STEPHENS. There is no time for closing contracts—the field is always open!

Mr. GERHARD. Yes; we are always ready to make contracts. The great advantage in establishing a regular service is to have contracts on your books. You can not depend on cargo when you have a 10,000-ton ship to load. You can not wait until the ship is in berth and then go out and ask for cargo. You have to make your plans ahead to load these big ships. It is impossible to do business without having a lot of cargo booked ahead.

Mr. STEPHENS. If the smaller shipper refused to make a contract, or does not make a contract with you when the terms are offered him, can he get the same rates, or what rate does he get?

Mr. GERHARD. He gets the tariff rate.

Mr. STEPHENS. He can not obtain the smaller rate?

Mr. GERHARD. He can get it on the same terms as the other people are getting it. I have always been in favor of encouraging the small shippers, because I have found those small shippers to build up into big business houses. It is to our advantage to have as many people in the trade as possible.

Mr. STEPHENS. Any time within the current year he can make the contract with you at the same terms as the larger shippers can in their contracts?

Mr. GERHARD. I should be willing to do it; certainly.

Mr. HARDY. Mr. Gerhard, there is one thing in your statement I do not believe I understand. You say each line makes its own contracts, and yet I understand you to say that the rates are the same.

Mr. GERHARD. Oh, yes; the rates.

Mr. HARDY. If you make a contract with a large shipper, and suppose another firm makes another contract with another large shipper, is he governed by the terms of your contract?

Mr. GERHARD. The rates, you know—we agree not to cut rates.

Mr. HARDY. That is what I want to get at. When you make special terms on your own account—

Mr. GERHARD. We then agree amongst ourselves to lower the rates.

Mr. HARDY. That separate contract is in terms agreed on by the conference?

Mr. GERHARD. By the agents.

Mr. HARDY. So that any other line would make the same contract that you do?

Mr. GERHARD. Certainly. These merchants—four or five—they all know each other. When they hear that John Doe & Co. have closed their contract on some terms, John Smith & Co. are ready to do the same.

Mr. HARDY. If their contract is any better than John Doe & Co.'s contract, John Doe & Co. will get the benefit of it when it is changed?

Mr. GERHARD. That is it. They know they will all be treated alike.

The CHAIRMAN. What reason have you to urge why they should be bound not to cut rates?

Mr. GERHARD. We have gone through that some years ago. It is a most uncomfortable position to be in, cutting rates. You can not run steamers unless you bring them on a paying basis. You have to bring them up to pay their way, and you can not do it unless there is some understanding to avoid cutting rates. You have to have some understanding of that kind. We have had some bitter experience in that trade. The rates got down to 7 cents a foot at one time. It is impossible. The lines simply hauled off their steamers. They would not send them out.

The CHAIRMAN. That is what you call open, destructive competition?

Mr. GERHARD. Open, destructive competition; yes. We all received a lesson and found it very important to come together.

Mr. HUMPHREY. And you try to teach that lesson to any independent line that tries to come into the conference, do you not?

Mr. GERHARD. I am not a schoolmaster for anybody. I just look after my own business.

Mr. HUMPHREY. As a matter of fact, if an independent line does attempt to come into the conference you put fighting ships after them and attempt to force them out of the business, do you not?

Mr. GERHARD. I do not recollect that a fighting ship has been put on. I do not recollect it. It might have been many years ago on the river trade. But I do not recollect it—I do not recollect any other trade. In the Brazil trade I do not recollect that any fighting ship—

Mr. HUMPHREY. My recollection is that the manager of one of the lines testified a few days ago that they had put fighting ships on.

Mr. GERHARD. With the chairman's permission, I should like to have a few words on that subject afterwards—a little later on—on that very point.

The CHAIRMAN. Has any member of the committee any questions to ask?

Mr. STEPHENS. Mr. Gerhard, you stated that there is an existing agreement—or I understood you to state that there is an existing agreement—in the African trade?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And that you have never seen that agreement?

Mr. GERHARD. I haven't it; no.

Mr. STEPHENS. Have you knowledge of its provisions?

Mr. GERHARD. No; I have not.

Mr. STEPHENS. Then, Mr. Gerhard, how do you know that the agreement is not violated in your conferences that are held weekly in New York?

Mr. GERHARD. My duties are so simple in this matter that it is simply to follow instructions from London. When they telegraph "Load the *African Prince* for South Africa," I go into the market and get my cargo on the tariff given me.

Mr. STEPHENS. Your instructions from London are so definite as to allow you no latitude?

Mr. GERHARD. I do not need to look at any agreement, you know, it is so definite.

The CHAIRMAN. Mr. Gerhard, could you not get us a copy of that agreement affecting the South African trade and file it with the committee?

Mr. GERHARD. I haven't it. I suppose by writing for it I could get one, but perhaps some of the other agents in the South African trade might have it, you know.

The CHAIRMAN. Will you undertake to procure it for us, if you can?

Mr. GERHARD. I will endeavor to do so; yes, sir.

The CHAIRMAN. Mr. Gerhard, if you have any statement to make or recommendations to make to the committee as to the present situation, if it is bad, and how to remedy it, we would be very glad to have it.

Mr. GERHARD. As to the recommendations, I really think that the less law we have in that trade the better it is for the trade itself. I wish you gentlemen would ask some of the merchants in the trade, some of the larger merchants in the trade, and get their views about it, and I think you will find that they are very well satisfied with the way the business is run.

The CHAIRMAN. What merchants have you in mind? We have had two or three large merchants here. What ones have you in mind?

Mr. GERHARD. I would hardly offhand care to name anyone. I might think over them.

The CHAIRMAN. Will you think it over and give us their names later?

Mr. GERHARD. I will do so; yes, sir.

The CHAIRMAN. You need not wait to do so now.

Mr. KIRLIN. Mr. Chairman, I think that Mr. Gerhard's statement of the participants in the African service is possibly open to an erroneous inference, that Funch-Edye & Co. are principals. Would you be good enough to ask him about that?

Mr. GERHARD. Funch-Edye & Co.; I simply named them as the agent of the Hansa Line.

The CHAIRMAN. They are not the principals, are they?

Mr. GERHARD. Is not that correct?

Mr. GOTTHEIL. The way you stated it, Mr. Gerhard, was that Funch-Edye & Co. are principals. That is what I want to correct.

Mr. GERHARD. I first named the line and then the agents. I said the Hansa Line, Funch-Edye & Co., agents.

Mr. GOTTHEIL. It did not sound that way.

Mr. GERHARD. In order to make my statement I had it written on paper. If you will allow me, Mr. Chairman, I should like to make some remarks in reference to Mr. Seager's testimony. I see that Mr. Seager declares that they were using fighting ships in the trade; that they were pooling and rebating in the Brazil trade. I can most positively assert that there have been no fighting ships used as long as I can recollect. There is positively no pooling in the outward business and there is no rebating, as I stated before.

The CHAIRMAN. That is, in the outward business?

Mr. GERHARD. In the outward Brazil business. As to the home-ward I do not know anything. You know as much about that as I do.

Mr. HUMPHREY. I should like to ask the witness one question, Mr. Chairman.

The CHAIRMAN. Let him finish his statement.

Mr. GERHARD. I have finished my statement.

Mr. HUMPHREY. I remember reading the report of the royal commission on shipping rings that was held in London. They had meetings, I think, in some of the colonies in 1908, if I remember, or about that time. While I do not remember the definite lines that were named I do remember very distinctly that a number of the agents of those lines gave testimony before that commission; that they gave special rates to certain big interests in the United States, and they named among others the Standard Oil, what is known as the Harvester Trust, and what we generally term the Steel Trust. Now, I want to know whether there are any of your lines, in any of these trades, that give preferential rates to any of the big interests of this country, the ones that I have named or others?

Mr. GERHARD. I have already explained—you speak of the Harvester Trust. The Harvester Trust does not ship goods itself. They sell goods to the merchants in New York and these are the very men that we trade with. These big concerns that ship from 50,000 to 100,000 tons apiece.

Mr. HUMPHREY. Do any of your lines give preferences—

Mr. GERHARD. I have already stated how we handle it. We drive the best bargain we can, generally, with one house first, you know, and after closing the contract with them then we notify the other shippers that we have closed on such terms and they generally fall in line and close with us. When we have closed with the large shippers we offer the same terms to every other man who wishes to come in on the same terms. So we make no special rates for the big shippers.

Mr. HUMPHREY. In other words, your lines do not make special agreements?

Mr. GERHARD. No, sir; we give it to the small shipper the same way as we do the large shipper.

Mr. HUMPHREY. I used the words "Harvester Combine" because I remember that was the expression used by some of these agents in testifying. I remember very distinctly that one of them said they gave them special rates because if they did not they were big enough so that they would put on their own lines.

Mr. GERHARD. The Harvester people do not ship. They do not ship a pound of freight. They sell the goods to commission merchants in New York, and those are the men we trade with. You can easily see it is most important for us to secure contracts with these big houses. That is most important to us.

Mr. HARDY. Do you know, Mr. Gerhard, whether or not the powers higher up, the real owners, have any secret understanding with these big institutions that there may be a rebate coming to them for their goods shipped over your lines?

Mr. GERHARD. I can speak for my own line. I am confident that they pay no rebate.

Mr. HARDY. At least, none of it comes through your understanding?

Mr. GERHARD. I am confident they do not. I am confident of that because Mr. Knott has always been very frank with me, and I am sure he would inform me.

Mr. HARDY. Is he one of the main owners of that line?

Mr. GERHARD. Mr. Knott is the managing owner of the Prince Line. Mr. James Knott is the managing owner.

Mr. HUMPHREY. In other words, if there are any secret rebates—if they are given to these big interests—you do not know it?

Mr. GERHARD. I do not know it. In fact, he has never interfered with negotiations in New York. He has never interfered with me. He leaves it entirely to me.

Mr. COLLIER. Mr. Gerhard, coming back to that conference which you gentlemen hold weekly in New York. Did I understand you to say that that conference fixed the rate to the Argentine?

Mr. GERHARD. Yes, sir; we fix the rates.

Mr. COLLIER. What is the principal factor which moves that conference in fixing those rates—the value of the vessel or the condition of the market?

Mr. GERHARD. We are guided really by the European tariff. We get a copy of the European tariffs and make our rates accordingly.

Mr. COLLIER. Suppose the market rises considerably on certain articles. Is not that a considerable factor in fixing the rate over here?

Mr. GERHARD. In that case we may advance the market over here, certainly. There are always fluctuations in the freight market.

Mr. COLLIER. What is that?

Mr. GERHARD. There are fluctuations in every market, and also in the freight market, and of course we are guided by it. We are not going to continue taking goods at a lower rate than we can charter ships for. That would be out of the question. A good many of these lines charter steamers, constantly charter steamers. And those charter rates are very high now. They cost a great deal of money, and even our present rates would hardly cover the charter prices now. We do not charter steamers. We have steamers belonging to the line, so I have no occasion.

Mr. COLLIER. But the rise in price—the rise in the market—of a present commodity very frequently causes a rise in the trade on that commodity?

Mr. GERHARD. Not the price of the commodity, but the general rise in the freight market would—not the price of the commodity.

Mr. COLLIER. There have never been any inquiries on that line, have there?

Mr. GERHARD. It is the supply and demand and the steamers. When steamers are very scarce, of course the freight market goes up very quickly. That has been the case for a great many years. The last two years steamers have been very scarce, and the result has been that the market has been very high.

The CHAIRMAN. Have you anything further to say?

Mr. GERHARD. No, Mr. Chairman; I do not think I have anything further to suggest.

The CHAIRMAN. On the general situation have you any recommendations to make?

Mr. GERHARD. As I have already stated, I think the less legislation we get into a business of that kind the better it is, because while it is stated, as Mr. Douglas stated here, that he did not consider the ocean as open any longer, it is very open. Anyone can come into the trade if they choose to do it, just as many other lines got into it, by fighting.

The CHAIRMAN. Is not this the situation—if some independent lines strongly backed should get into the trade and prove a menace to you, you would just take them in?

Mr. GERHARD. Probably I should try to make an agreement with them, yes. You are right.

The CHAIRMAN. If you did not do that would you not try to hammer him down?

Mr. GERHARD. Certainly, we should fight him just all we could.

Mr. HARDY. Mr. Gerhard, do you know whether that has been done at New Orleans or Galveston?

Mr. GERHARD. Well, not to my knowledge. The New Orleans venture, when we heard of those steamers we knew the result. We felt we decided at New York, we would not move one inch on account of those steamers. We did not change our rates. We did not do anything. We knew the result. We knew what it would be when they chartered steamers at 6s. 6d. We knew what the result would be. We did not bother our heads about it. We just went our own way and attended to our own business.

Mr. HUMPHREY. You felt confident they would not be able to get any business coming back this way?

Mr. GERHARD. What is that?

Mr. HUMPHREY. You were confident they would not be able to get cargo?

Mr. GERHARD. Our steamers come up sometimes with 6,000 bags. Sometimes you hit up and get a bigger lot. Or, our steamers may come up light. Sometimes there is not enough cargo to load all the steamers coming up.

Mr. HUMPHREY. As a matter of fact a great many of those steamers come to this country from South America in ballast?

Mr. GERHARD. Our own steamers come from the River Plata in ballast. Some of them come all the way in ballast. Some of them come to Brazil in ballast and there load, and some go from the River Plata to Europe in ballast and then load across from Europe, because there is no cargo from the River Plata. I hope there will be one of these days when the duties are changed so as to enable the Argentine products to be brought in. Then we may get a return cargo from the river.

Mr. HUMPHREY. What are those products from Argentina on which you would like to see the duty removed?

Mr. GERHARD. I have not looked into that matter very closely, but I think there are products of wool—we do not get any products of wool. There is a lot more wool we ought to get from there. Then there are the hides and meat products, and a good many other products of that kind.

Mr. HUMPHREY. I am glad to have you make that statement for the benefit of my Democratic colleagues on the committee, as they are going to revise the tariff very soon.

Mr. HARDY. We could go a good deal further and ask for the removal of the duties on goods from other places.

Mr. GERHARD. From other places, yes. My opinion is that we are working on such a high basis, and everything is so expensive, as the result of the high tariff.

Mr. HARDY. We have our wool rates so high you can not bring anything in?

Mr. GERHARD. That is my opinion.

Mr. HARDY. I think you are right about it.

Mr. AYRES. Speaking for myself, I desire to thank you for the frankness of your testimony and the help you have given us.

Mr. GERHARD. I want to help you all I can. I have nothing to keep back.

Mr. HARDY. I just wish you would tell of any company that they tried to organize at Galveston—

Mr. GERHARD. I never heard of a line from Galveston.

Mr. HARDY. It was some years ago.

Mr. GERHARD. I can not remember of ever having heard of it.

Mr. HARDY. If you fought them out you would remember?

Mr. GERHARD. We did not fight them. If we fought them I would recollect it and I would say so.

The CHAIRMAN. Is there anything else, Mr. Gerhard?

Mr. GERHARD. There is nothing else I have to say.

TESTIMONY OF WILLIAM E. HALM.

The witness was duly sworn by the chairman.

The CHAIRMAN. You may state your name to the stenographer.

Mr. HALM. My name is William E. Halm. I am manager for R. P. Houston & Co.

The CHAIRMAN. What lines do you represent?

Mr. HALM. R. P. Houston & Co., operating a line from New York to South Africa, and one from New York to the River Plata.

The CHAIRMAN. You may state to the committee whether or not your company at present or at any time within the past few years has been in an agreement or agreements or had any understanding

with any other steamship line or lines as regards either freight or passenger traffic or both to and from the United States to the River Plata or South Africa, first taking the River Plata.

Mr. HALM. I think, with all due deference, that we will work a little better if we take South Africa first. I think we can dispose of it better.

The CHAIRMAN. Very well.

Mr. HALM. There is a conference governing the lines to South Africa.

The CHAIRMAN. Name the lines, will you, please, at this juncture.

Mr. HALM. Unfortunately, I left my papers at the hotel. I have sent for them. I will give you the proper names of those lines a little later.

The CHAIRMAN. You may state if these are the lines: The Clan Line Steamers (Ltd.), Cayzer, Irvine & Co. (Ltd.), The Bucknall Steamship Line (Ltd.), The Union Castle Mail Steamship Co. (Ltd.), the Prince Line, the Hansa Line—are those the lines?

Mr. HALM. Yes, sir. The conference in London control absolutely the operation of the steamers from New York. The Houston Line is not a member of the conference, although it acts in harmony with them. I understand and believe—I might say that I know—there is a pool. The freights are pooled, although there is not—I can not give you a copy of the agreement; I do not believe a copy is on this side of the water, all copies being held by the principals. I know that our people have not a copy.

Mr. HUMPHREY. Where are the conferences held?

Mr. HALM. In London. I know our people have not a copy, not being a member of the conference. There is undoubtedly a certain portion of the business allotted to each line and each line puts on steamers according to that proportion, each taking their regular turns; the agents here are advised from time to time of the steamers named to take those turns, and, of course, their positions. The agents of each line, of course, will get the detailed information concerning the steamers to enable them to berth them and load them properly. The rates are made on the other side—in London I would say, to make it more explicit—and are sent to us by mail or by cable according to the circumstances, and they are put into effect by the agents here. The agents meet regularly once a week at the various offices and there compare notes as to the position of the steamers; how they are filling and to put into effect any instructions in regard to rates that they may have received.

The rate-making power is entirely in London, although if there should arise special conditions in regard to American commodities the agents make recommendations in regard to those rates, and those recommendations are nearly always followed. There are a few contracts in existence in the South African trade. There is one with the Standard Oil Co. that was made through Messrs. Norton & Son, and they also, I believe, have a contract with the International Harvester Co., who, notwithstanding Mr. Gerhard's testimony, do ship small quantities in their own name to South Africa. The Houston Line has a contract with the New York Lubricating Oil Co., the terms and conditions being exactly the same as the Standard Oil Co. I will file that contract with you in a few moments.

Mr. HUMPHREY. Those two companies, are they in any way related?

Mr. HALM. In making contracts with the New York Lubricating Oil Co. we duplicate the terms of the Standard Oil Co. contract in so far as the New York Lubricating Oil Co. were interested in the trades.

Mr. HUMPHREY. At whose instance did you make that duplication?

Mr. HALM. At the request of the New York Lubricating Co. They had learned of the fact that a contract had been made with the Standard Oil Co., and the New York Lubricating Oil Co. asked to be placed on the same basis, and they were.

Mr. HARDY. Have you a copy of the Standard Oil contract?

Mr. HALM. I presume I have a copy in the office. I did not bring it, because I presumed that Norton & Son, who made the contract, would be subpoenaed and would produce it.

Mr. HUMPHREY. Where did you get the Standard Oil contract in order to duplicate it?

Mr. HALM. At the time it was made. The Standard Oil contract was made under instructions and after considerable communication to and from the principals on the other side; Norton & Son simply acted as the agent for the lines in closing that contract.

Mr. HARDY. But your line was not one of those lines? Where did you get the Standard Oil contract in order to duplicate it?

Mr. HALM. Oh, we act in harmony; we are not signatories to the conference agreement, but we do act in harmony with them. I believe the Houston Line shares in the pool. I have every reason to believe so.

Mr. HARDY. They are in open communication with them, are they not?

Mr. HALM. Yes, sir. We also have a contract with the Union Carbide Co., which I will file with you.

The CHAIRMAN. You say the Houston Co. lines are not signatories to the contract, but act in harmony?

Mr. HALM. With the conference; yes, sir.

The CHAIRMAN. And act under the terms of the agreement?

Mr. HALM. Yes, sir.

The CHAIRMAN. And, as you believe, share in the pool?

Mr. HALM. Yes, sir.

The CHAIRMAN. Why is it you are not parties to the contract itself?

Mr. HALM. Really I can not answer that.

The CHAIRMAN. Is it because you are an American line?

Mr. HALM. No, sir; we are not an American line.

The CHAIRMAN. You are not?

Mr. HALM. No, sir; Mr. Houston is a member of Parliament.

The CHAIRMAN. You do not know any reason why you are not parties to the contract, do you?

Mr. HALM. No, sir.

The CHAIRMAN. Will you undertake to get a copy of that agreement and give it to the committee?

Mr. HALM. I can not. I have asked our principals to supply me with a copy of it, and they have advised me that not being a member of the conference they have not a copy themselves.

The CHAIRMAN. Your principals?

Mr. HALM. Yes, sir.

The CHAIRMAN. Is there an agreement, or a copy of it, in the possession of anyone here present, to your knowledge?

Mr. HALM. I believe not. I do not think there is a copy in New York.

The CHAIRMAN. You spoke of having some contract here you were going to offer for the record. That was the contract with the lubricating oil company, was it?

Mr. HALM. With the New York Lubricating Oil Co. and the Union Carbide Co. I rather stupidly left my papers in the hotel this morning, and I have sent for them.

The CHAIRMAN. You have not those with you at present?

Mr. HALM. I have them in the city.

The CHAIRMAN. But you do not have them here?

Mr. HALM. No; I will produce them shortly.

The CHAIRMAN. If you have anything further to say, you may do so now.

Mr. HALM. That covers my statement as far as South Africa is concerned.

The CHAIRMAN. Have you anything further to say with reference to that trade?

Mr. HALM. No; except it might be well here to point out the advantages to the shippers generally of the arrangement. I know that the word "pool" sounds wicked to the people, but our English principals have apparently found it is the only way to insure stable rates and regular service. I do not think that any shippers from New York have a complaint of any consequence against the South African Line. The rates are maintained at the same level as from Europe, and the service is regular and continuous; as many steamers are provided as necessary to carry the business without delay, so the shippers can order their goods from the interior in any quantities and as fast as they please, and they are taken care of promptly on arrival at the port of New York. The rates permit them to compete with the rest of the world, and I think you will find that all the shippers, under that arrangement, are fairly well satisfied. They are as satisfied as shippers can be. Of course we have unreasonable ones amongst them, as well as in any other trade.

The CHAIRMAN. I understand you to say there is no discrimination against American shippers in favor of European?

Mr. HALM. That is right.

The CHAIRMAN. The rate from Europe to South Africa and from the United States to South Africa is the same, is it?

Mr. HALM. Yes, sir.

The CHAIRMAN. Now, with reference to the River Plate?

Mr. STEPHENS. You stated that the Houston Line is not a member of the conference?

Mr. HALM. Yes, sir.

Mr. STEPHENS. It does, however, participate in the pooling arrangement of the conference?

Mr. HALM. I believe so. I am quite sure such is the case.

Mr. STEPHENS. Has it a partnership in the contracts made by the conference?

Mr. HALM. Yes; to answer that frankly, in the South African trade all contracts are made for the account of all the steamship lines operating, and each carries its proportion of the contract as it may be tendered to them by the shippers from time to time. In the case of a large shipper, such as the Standard Oil Co., they declare the quantity of cargo they have to move in the next 30 or 45 days, and you can readily understand that the amount of their cargo is such that no one line could carry it to advantage, either to their satisfaction or that of the Standard Oil Co. When they declare the amount of their cargo, that is allocated to the several steamers that are scheduled.

Mr. STEPHENS. Including your own?

Mr. HALM. Including our own.

Mr. STEPHENS. There is practically no difference between your line and the conference lines, is there?

Mr. HALM. No, sir. We are to all intents and purposes a member of the conference, including the pooling arrangement, except that we have not actually signed the conference agreement, the reason for which I am unable to give.

Mr. HARDY. Is it your understanding that any contract to be made with a large concern you duplicate it with a small one?

Mr. HALM. That question has never come up in the South African trade?

Mr. HARDY. Would you, if anybody else asked you to, duplicate your contract with the Standard Oil people?

Mr. HALM. We have. The lines have already duplicated it with the New York Lubricating Co. I do not believe there has been any request from any other concern for a duplication.

Mr. HARDY. Is not that New York Lubricating concern a part of the Standard Oil?

Mr. HALM. If you can honestly answer a question as to what companies are or are not affiliated with the Standard Oil Co., you can do better than most of our shipping people. I believe they are absolutely independent. They assure us that they are, and such inquiries as I have made confirm that belief.

Mr. HARDY. You enter into the same contract with them as made with the Standard Oil; there is no unity of interest between them and the Standard Oil understood to exist by you, is there?

Mr. HALM. No, sir; it is to enable them to compete with the Standard Oil Co.

Mr. AYRES. There are practically no return cargoes to New York from Africa, are there?

Mr. HALM. No, sir.

Mr. AYRES. To any ports here?

Mr. HALM. No.

Mr. AYRES. Has that fact, that circumstance, any effect on the question of the advisability or the commercial necessity of some method of cooperation in the outward trade?

Mr. HALM. No; I can not say that has a bearing on that point. Naturally it makes freights higher to South Africa than it would if there were return cargoes. When steamers discharge at South

Africa they go on to India, to Australia, or to the River Plate to get cargoes.

Mr. AYRES. Can I ask, further, what reason you assign for the fact that there are no return cargoes?

Mr. HALM. Well, it is not an agricultural country except to a very limited extent. Just now there has been a failure in their crops, and they are actually importing grain and flour from this country, and from the Argentine Republic and from Australia. They have no coal and iron, and therefore they do not manufacture. Practically their entire exportable commodities are diamonds, gold, ostrich feathers, and a small amount of wool. You can readily believe that gold and diamonds do not go very far toward filling steamers. There are a few cargoes of wool, and very seldom a little grain.

Mr. HUMPHREY. I just want to ask you one question. You stated that the rates from Europe and from this country are the same, but all the rates are fixed in Europe. Might it not be—well, I will put it another way: If there are any rebates given European shippers, or any different rates, you know nothing about it?

Mr. HALM. No, sir.

Mr. HUMPHREY. That is within the range of possibility, is it not?

Mr. HALM. It is within the range of possibility, but not within the range of probability. Nearly every large concern in the United States doing business to South Africa as well as other ports of the world, maintain offices in the principal capitals of Europe—London more often than other capitals. These commission houses act as buying agents for the firms in South Africa, and, acting in that capacity, they place orders with manufacturers in England and in Germany as well as in the United States, and these commission houses ship the goods. They must of necessity know of the rates and the arrangements from each country. If one of these firms, shipping from England, were to get special rates from there, they would very quickly insist on getting the same special rates from this country.

Mr. HUMPHREY. As I remember, when I used to practice law the judge very frequently instructed the jury it was their duty to harmonize the evidence if they could; without finding anyone guilty of perjury, it was their duty to harmonize the evidence if it could be done on any reasonable, consistent theory. I thought we could very easily harmonize the testimony you have given and the testimony given by the gentleman on the stand before you with the testimony of these shippers, who say there are special arrangements made with the European shipper. I do not see any inconsistency in the stories you both tell.

Mr. HALM. I think, Mr. Humphrey, you have listened to the stories of a good many dissatisfied people, who are not large business men.

Mr. HUMPHREY. Of course it is naturally true; it is true in two instances. In the first place, the dissatisfied man is apt to make a noise if he can't get that treatment, and he is apt to be dissatisfied.

Mr. HALM. Yes.

Mr. HUMPHREY. So there is no question but what you are right about that.

Mr. HALM. Well, the truth of the matter is that the shippers from the United States to South Africa are well satisfied.

Mr. HUMPHREY. I had in mind more the South American trade than I did South Africa.

Mr. HALM. The reason I suggested we deal with South Africa is I noticed that when you dealt with two or three trades at once the conditions became confused in the minds of the committee.

Mr. HUMPHREY. The only complaint I ever saw about the South African trade, I saw where some gentlemen in Europe were making a very lusty protest that the shipper from New York was getting the best of it.

Mr. HALM. Yes; you will find complaints from both sides of the water.

Mr. HUMPHREY. I remember I saw that.

Mr. HALM. We receive many complaints from the shippers from this side that lower rates are being given from the other side. We investigate each and every one of those, and we do keep the American shippers on a parity with those from England and Germany.

The CHAIRMAN. Now, Mr. Halm, let us turn now to the River Plate. Does your company now, or has it been at any time in recent years a party to any agreement or agreements, or any understanding or understandings, with any other steamship line or lines as regards the freight or passenger traffic, or both, to or from the United States to the River Plate or Argentina?

Mr. HALM. Speaking of the outward cargo, we have not been a party to any rebates or pooling agreement for many, many years. We are now acting in harmony with several other lines engaged in the traffic to the River Plate—the Houlder Line, the Barber Line, the Prince Line, and the Lamport & Holt. In addition to that there is the Norton Line, with which we have no understanding or agreement.

Mr. AYRES. Is that the same line you spoke of as Norton & Son a while ago?

Mr. HALM. Yes. The four lines mentioned, including ourselves, are working in harmony on a rate-making basis only. There is no agreement, no written agreement. There is no agreement as to the number or size of the steamers that shall be dispatched, the quantity of cargo to be carried, or in any respect except that of agreeing on rates.

Mr. AYRES. Where do you hold your conferences?

Mr. HALM. We have no conference office. We meet in the offices of the different lines, as may be most convenient. Sometimes it may be that something comes up requiring immediate consideration, and we may get together on the floor of the Produce Exchange and talk the matter over.

Mr. POST. How often do you meet?

Mr. HALM. We have a regular meeting once a week. At that meeting each line reports the name and position of the steamers, how they are fixed as to cargo and the quantity of cargo offering, and the agents consider matters pertaining to rates.

The CHAIRMAN. Where are the rates in this trade fixed?

Mr. HALM. In New York.

The CHAIRMAN. By the representatives of these conference lines?

Mr. HALM. By the agents; yes, sir. We try to keep our rates on a parity with those from England and Germany. Our principals

on the other side advise us from time to time of the changes made in their tariff, and if the commodities are such that the American shippers are interested, we change our tariff to suit and follow them up or down, as the case may be.

The CHAIRMAN. Do you make joint contracts with the shippers in that trade?

Mr. HALM. Yes and no. Mr. Douglas, of Arkell & Douglas, filed with you a copy of the contract he has with the Houston Line. The same contract is made by us with a number of shippers, or at least covering as many of the commodities named in that contract as they may be interested in. I will file a copy of that contract with the names of the shippers with whom we have contracts a little later. That contract reads—it provides that Arkell & Douglas, referring to that particular contract—that Arkell & Douglas shall give all shipments to the Houston Line, and we, in turn, agree to provide them tonnage for their shipments upon reasonable notice. There is nothing in that contract that implies a liberty to ship by any other lines, but as a matter of fact each contractor is allowed to ship by any of the other lines working in harmony with us.

The question of shipping by opposition lines from New York has not arisen. The object in making the contract with one line is to satisfy the shipper as well as the shipowner. If the contract included all of the lines it would obligate each of those lines to provide tonnage, but there would be a divided responsibility which would not satisfy the shipper at all. In case of stress, a very sudden rush of cargo or delayed steamers that would cause more cargo to be accumulated than all the prompt steamers could move immediately, and he would be shifted from one to the other. I would tell him to go see Boyd, and Boyd would tell him to go see Barber to get his room. But with the contract with one line that line is responsible to furnish the shipper with room; and that form of contract is considered by us and by the shippers as the one that carries with it the best carrying out of the contract. The shipper wants two things. The first and most important thing to him, and the one he must have, is room. The next, of course, is the rate. But no matter what the rate is, the shipper can not do business unless he has the room; and he wants to make a contract that will guarantee him that room. After that comes the question of rate. That is also important. He wants equal rates. He can only get equal rates by combination of the steamship lines. Without that combination he can not be assured that one steamship line is not giving his competitor a better rate than he is getting, which spells ruin for him.

The CHAIRMAN. Is there a contract agreement between the conference lines, as between themselves, that each will make good the contract of the other and be responsible for any damage to the other?

Mr. HALM. No, sir.

The CHAIRMAN. Or that they will share in any liability?

Mr. HALM. No, sir. In my contracts I am solely liable to the contracting merchant, and I look out to see that room is provided for him.

The CHAIRMAN. Do you have any joint contracts at all?

Mr. HALM. I believe there is one joint contract. That is one made by Barber & Co. with the Standard Oil Co., for their lubricating products. The Standard Oil Co. insisted on having more frequent

sailing that Barber & Co. could give, and I believe that contract does name other steamship lines; and in that case each steamship line has assumed a certain definite liability as to the quantity of cargo it will carry.

The CHAIRMAN. State whether or not rebates are granted.

Mr. HALM. Absolutely, no.

The CHAIRMAN. How do you treat the small shipper as compared with the large one?

Mr. HALM. They are kept on the same basis. As Mr. Gerhard explained a little while ago, there are certain large firms that export enormous quantities of agricultural implements and that after contracts are closed with them the small shippers are all given an opportunity to contract on the same basis. I may say in reference to our own contract, you will find a certain rate on lubricating oil to my contractors. That rate is the same as was given to the Standard Oil Co.

Mr. AYRES. It is graded as to the amount of shipments, probably!

Mr. HALM. That does not matter.

Mr. AYRES. It does not matter at all?

Mr. HALM. No, sir; the rate is the same, regardless of the quantity.

Mr. STEPHENS. But the contract rate is a reduced one; it is reduced below the regular tariff?

Mr. HALM. It is materially different from the regular tariff rate.

The CHAIRMAN. Is there such a line as the New York & South American Line engaged in the River Plate trade?

Mr. HALM. I believe that is the proper name of what we call the Norton Line.

The CHAIRMAN. Mr. Ryan, it seems, is the agent for this line.

Mr. HALM. Oh, then I am mistaken. That is the West Coast Line, to the west coast of South America, touching at Bahia Blanca. It does not touch at the regular ports that all the regular lines make.

The CHAIRMAN. This line seems to operate to Bahia Blanca?

Mr. HALM. Yes; it touches at Bahia Blanca, a port some 400 miles south of Montevideo; but none of the lines to the regular River Plate ports find it feasible to go there for the small amount of cargo at that port.

The CHAIRMAN. This one line, then, has a monopoly of the trade to that port?

Mr. HALM. No, sir; Grace & Co. also call in at that port with their steamers destined to the west coast of South America; and I believe that Houlder, Weir & Boyd also sent two steamers in there destined for the west coast.

The CHAIRMAN. Is there any understanding between your own company and the New York & South American Line that it should keep out of the Brazilian trade or the River Plate; and, if so, you will do the same so far as the Bahia Blanca trade is concerned?

Mr. HALM. No, sir; there is no understanding. I can go into Bahia Blanca whenever I think it will pay me to do so.

The CHAIRMAN. Can you explain why Norton & Son are not parties to the River Plate conference?

Mr. HALM. No. I do not care to venture an opinion as to that. I believe they are subpoenaed and will answer it themselves in due time.

The CHAIRMAN. What do you know, if anything, or what information have you to give the committee, as to any rebate agreements from Argentina north?

Mr. HALM. I know nothing definitely of the northbound rates or arrangements.

The CHAIRMAN. What is your information?

Mr. HALM. I know from correspondence that there is a rebate arrangement on northbound business from the Argentine to the United States.

The CHAIRMAN. Have you the correspondence with you?

Mr. HALM. No. It is only ordinary correspondence referring to it as a matter of fact.

The CHAIRMAN. Can you furnish the committee with a copy of that correspondence from which we may ascertain the facts?

Mr. HALM. Yes; I will give you such correspondence as I have. It is possible that I may have the circulars, but it is a matter that does not interest me.

The CHAIRMAN. You will do that then?

Mr. HALM. Yes, sir; I will do that. If I have them I will let you have them.

The CHAIRMAN. Do you recall whether those are deferred rebate agreements?

Mr. HALM. It is probable that they are.

Mr. AYRES. Mr. Halm, you say you are not interested in the northbound traffic. How are those freights collected? Doesn't your firm look after the collection of freights?

Mr. HALM. Oh yes, sir; to that extent. We handle the physical part of the steamers in discharging their cargoes. If the freight is collectable at this end, we collect it. I spoke of not being interested in it, in that I do not know anything about the freight rates. I could look up the manifest, I suppose, but if I should be asked to-day the freight rate from Buenos Aires to New York I should have to cable to Buenos Aires to get that information.

Mr. AYRES. Mr. Halm, you have a very wide knowledge, I understand, of railroad traffic and railroad regulations in addition to the shipping business. May I ask you if there are any combined rates between the railroads and the shipping lines in this country?

Mr. HALM. Not that I am aware of. Certainly none to South America or South Africa. Mr. Gottheil, who will follow me, has a thorough knowledge of the trans-Atlantic business and will probably be better able to answer that question than I.

Mr. STEPHENS. There may be no existing tariff, but are any such contracts made?

Mr. HALM. No.

Mr. STEPHENS. Not to your knowledge?

Mr. HALM. No; occasionally a railroad company will issue a through bill of lading from an interior point to a point in South America, but the rate will simply be the sum of the railroad rate and the ocean rate which they have ascertained from us, and a through bill of lading is issued for the convenience of the shipper.

Mr. STEPHENS. You know of no instance where a reduced rate over your part of the line is concerned?

Mr. HALM. No, sir; there have been none.

Mr. AYERS. A little further, please; because, as I say, you have the reputation of knowing a good deal about traffic arrangements. You people are practically operating under an unrestricted monopoly?

Mr. HALM. In the South African trade, yes.

Mr. AYRES. And the Argentine?

Mr. HALM. No; as to the Argentine, anybody can come in that trade.

Mr. AYRES. I know, but they do not come in and practically you have a monopoly? And it is an unrestricted monopoly, because it is operated solely by you people?

Mr. HALM. That is true of any trade. That would apply to any trade that a certain number of steamship lines are serving.

Mr. HUMPHREY. Isn't that practically true of all the trade in the world?

Mr. HALM. Certainly.

Mr. HUMPHREY. There is really no competition in freight rates in any over-sea trade?

Mr. HALM. Oh, no; I do not agree with you; there is keen competition.

Mr. HUMPHREY. In freight rates?

Mr. HALM. Yes.

Mr. HUMPHREY. Between the conference lines themselves?

Mr. HALM. Oh, no; but the whole trade of the world is not governed by conference lines; very far from it.

Mr. HUMPHREY. Do you know of any regular steamship line running in any foreign trade from this country that is not in some conference?

Mr. HALM. When you speak of "conference," the term "conference" as used in the steamship world, means a very close combination, pooling earnings——

Mr. HUMPHREY. Do you know of any steamship line running over-sea from the United States under any flag that is not in an agreement, either written or otherwise, with other lines with reference to freights?

Mr. HALM. Why, yes.

Mr. HUMPHREY. Where are the lines?

Mr. HALM. Take our own case, to South America.

Mr. HUMPHREY. You have an agreement in your own case with the lines inside of your conference as to freight rates, don't you?

Mr. HALM. The Norton Line is outside of it and makes such rates as they see fit.

Mr. HUMPHREY. But you testified a while ago that they all received the same rates.

Mr. HALM. No; I did not——

Mr. HUMPHREY. Is there any competition between the Norton and these other lines to South America?

Mr. HALM. Yes, sir.

Mr. HARDY. South America or South Africa?

Mr. HALM. South America.

Mr. HUMPHREY. You have one place where you have real open competition in freight rates, then?

Mr. HALM. Certainly.

Mr. HUMPHREY. What is the name of that line?

Mr. HALM. The Norton Line.

Mr. HUMPHREY. I am glad to hear that. If there is a line in existence of that kind I have not been able to discover it yet.

The CHAIRMAN. There is the signal for the call of the House. We will take a recess until 2 o'clock.

Mr. STEPHENS. I would like to ask one question. About the making of freight rates in your conference in relation to the Argentine trade, you state that your conference tries to follow the rates made in Europe?

Mr. HALM. Yes, sir.

Mr. STEPHENS. Do they not follow them?

Mr. HALM. Not always.

Mr. STEPHENS. Can you change rates without cabling to Europe?

Mr. HALM. Absolutely. We make any rate that seems good to us.

The CHAIRMAN. That is, in the River Plata trade?

Mr. HALM. Yes, sir.

A recess was thereupon taken until 2 o'clock p. m.

AFTER RECESS.

The CHAIRMAN. Mr. Halm, do you desire to make any further statement?

Mr. HALM. I did not make myself quite clear about the Norton Line competition this morning. Witnesses yesterday testified that the rates were all the same by all of the lines from New York to the River Plate. That is quite true so far as the tariff is concerned. When we make any change in rates—I speak of the five lines that are working in harmony—we notify the Norton Line of such changes, in the hope that they will not cut our rates. And I am happy to state that up to the present time, as a general proposition, they do maintain our rates. In fact, they are extremely anxious to get all the revenue they can because they operate with some chartered boats that we have reason to believe operate at a loss. And they are just about as keen to get revenue as we are. But, notwithstanding that, we have reason to believe that when some desirable lots of cargo come forward they do not maintain our rates. In other words, if it suits them they cut our rates to get the business. We have no agreement with them at all or understanding in any way that they are to maintain our rates. Therefore, they are free to do anything they please. But we do consider it to our interest to keep them advised as to our rates in order that they may not cut us any more than we can help.

Mr. HARDY. Do you adopt any methods to run them out of business?

Mr. HALM. No.

Mr. HARDY. Have you any propositions pending to have them unite with you?

Mr. HALM. No, sir.

Mr. HARDY. Will your conference lines tolerate that kind of interference anywhere and everywhere without any effort to drive them from the field?

Mr. HALM. Speaking from New York?

Mr. HARDY. Yes.

Mr. HALM. Yes.

Mr. HARDY. Why is it you adopt in your Brazilian trade a system of rebates to prevent competition?

Mr. HALM. We are not in the Brazilian trade.

Mr. HARDY. But the lines that you are in conference with are, are they not?

Mr. HALM. That may be, but that is just as separate as can be. I know nothing at all about the Brazilian trade.

Mr. HARDY. And the Brazilian field—in the South American field—there is no rebate system?

Mr. HALM. I only know by hearsay about Brazil. I know nothing at all about that.

Mr. HARDY. I believe you said that from your understanding there was a system of rebates on the northbound freight from Argentina?

Mr. HALM. Argentina, yes; but understand that Argentina and Brazil are two different entities.

Mr. HARDY. I know you said you were not in the Brazilian trade, but you are in the Argentine trade, are you not?

Mr. HALM. Yes.

Mr. HARDY. And there is that rebate feature in the Argentine trade going northbound?

Mr. HALM. Northbound; yes, sir.

Mr. HARDY. Do you not use that to prevent the lines in your association from getting business down there in the Argentine trade?

Mr. HALM. No.

Mr. HARDY. Is it not reasonable to suppose that it would have that effect?

Mr. HALM. We would hope so.

Mr. HARDY. That is the purpose of it.

Mr. HALM. Yes, sir; but as a matter of fact it does not prevent competition northbound, because I do know that other steamers—you might say outside steamers—are loaded constantly from the River Plata to New York. The Munson Line, for instance, have a steamer on the way now, and the Norton Line also.

Mr. HARDY. Not working in harmony with you?

Mr. HALM. No.

Mr. HARDY. Does your provision there call for a forfeiture of the rebate if any other line is patronized?

Mr. HALM. I presume so.

Mr. HARDY. Is the effect of that gradually to tear down, weaken, and destroy these other lines?

Mr. HALM. The idea is, of course, to try to confine those shippers to our own lines.

Mr. HARDY. That is the purpose of it?

Mr. HALM. That is the purpose, undoubtedly; yes.

The CHAIRMAN. Is there anything further?

Mr. HARDY. I think your testimony has been given very frankly, and I admire you for it.

Mr. HALM. We have not anything to hide. We are seeking light the same as you are.

Mr. KIRLIN. Mr. Chairman, would you ask Mr. Halm what his views are as to the efficacy of the deferred rebate system as against the determined effort to run in any particular trade?

The CHAIRMAN. You may answer that question.

Mr. HALM. Well, the experience of many years of practice of the English and Continental lines, where ownership of probably 90 per cent of the tonnage of the world is located, shows that there is apparently only one way of securing adequate service to conduct the business of the world. That is, a pooling and rebate system. That system is recognized as lawful by the Governments of Great Britain and Germany. I probably could just give you a concrete example of the way in which that works in the business from New York to South Africa. As I stated this morning, the operation of this route by five or six owners produces regular sailings. It may be that it is the Houston Line's turn to dispatch a steamer and the steamer ahead of us is going to complete her cargo and sail about the 10th of the month. It is therefore the Houston Line's turn to furnish a steamer to load on or before that date. The steamers of our fleet come up here from South America, many of them via the West Indies, where the delays are frequent. We will find a shortage of dispatching facilities or may be a case of plague or other disease, and we find that our steamer can not get here in time to make the sailing on the 10th. That condition of affairs is reported to our principals in London. They cast around amongst themselves to ascertain what other steamer is in position. We will find a Prince Line steamer, for example, is on her way to this country with a cargo from the Far East. She can fill our date. We will exchange terms and the trade is not discommoded. There is no piling up of cargo. It goes forward on schedule time without any friction or without any loss to the steamship owners. The Prince Line steamer, in the same way, with a little extra expense in discharging, is ready and goes ahead.

Take the South African trade. As I stated this morning, there is no return cargo from that country. It is a voyage of something like 7,000 miles, requiring about 30 days. There are about four steamers a month sailing from New York to South Africa at, of course, fairly regular intervals as fast as the cargo comes in. About 30 days sailing, about 30 days to discharge, and about 30 days back in ballast would allow about three months for the earliest possible return of a steamer sailing from here. In other words, if a single owner went into that trade, they would have to provide a fleet sufficient to sail four times a month from here, and for the next two following months. They would have to have a fleet of at least 12 steamers to take care of that trade, then returning in ballast.

Now, that in itself would be unprofitable. There would be a return voyage of over 7,000 miles in ballast, instead of proceeding to Australia or India and returning with cargo. If a steamship owner, in order to get the best results from his steamers, sends steamers from South Africa to these countries and return, either with cargo to Europe and in ballast from there here, or with cargo possibly for this country, you would have to estimate it would take at least five or six months in each case, and an owner would have to have at least 25 steamers to put there on that trade. There is no one owner in a position to furnish 25 steamers to carry on that trade. It requires the combination of a number of owners, with varied trades to all parts of the world to keep a constant succession of steamers on the berth.

Mr. HARDY. Your idea is that this method of rebating is simply a beneficent scheme by which you bring the shipper and freight together?

Mr. HALM. Yes. The rebating, of course, is an incident to the pooling feature. By this scheme of rebates they keep the shippers—some of whom are good and some are bad—absolutely in hand. Cargo can not get away whenever some tramp steamship owner thinks that is a good market to go into and puts on a steamer for a single voyage. The shipper can not take advantage of that. He is bound to the regular lines that furnish him cargo space year in and year out.

Mr. HARDY. Your only reason for not using the rebate system on the downward voyage is because you take it to be contrary to our antitrust law?

Mr. HALM. Quite true.

Mr. HARDY. But nevertheless you accomplish the same purpose with the rebate system from the south going north?

Mr. HALM. No; you are entirely mistaken on that. The merchants that ship southbound are in very rare cases receivers of cargo northbound. For instance, a commission house forwarding goods from New York to the River Plate, handles all kinds of manufactured goods. The principal commodities northbound are hides, wool, and quebracho extract. The receivers of hides, wool, and quebracho extract have no interest in the southbound business.

Mr. HARDY. What instrumentality do you use then to hold your trade in subjection between New York and Liverpool?

Mr. HALM. Between New York and the River Plate?

Mr. HARDY. Is there a rebate system in Europe coming this way, too?

Mr. HALM. No; there is a rebate system, I believe, from Liverpool to the River Plate, but that again has no connection or exercises no force on the shippers from here. We exercise no force in controlling our shipper from here to the River Plate except good service and reasonable treatment.

Mr. HARDY. Either downward or upward?

Mr. HALM. Downward, I speak of.

Mr. HARDY. Is your rebate system in vogue from Europe to America?

Mr. HALM. We do not operate there, and I do not know that there is such a rebate system in effect.

Mr. HARDY. Do not your ships all go to South America, take a kind of circular route, and eventually return—

Mr. HALM. We sometimes come over in ballast. In coming from Europe to this country we place ourselves in the position of a tramp steamer. We do not have a regular trade.

Mr. HARDY. You mean these ships of yours that go to South America leave there and go to Europe, and leave Europe and come from there over here in ballast?

Mr. HALM. Yes, sir; or, if they secure a cargo it is chalk or some other low-grade commodity.

Mr. HARDY. Is not that a great waste of energy that could be cured in some way?

Mr. HALM. No.

Mr. HARDY. Why are you not in the market for cargo from Europe on these vessels coming back to America?

Mr. HALM. We are, if we can get a paying cargo. But you understand that no shipper out of Liverpool is going to give us a cargo

for a steamer coming over here once in three months or six months, as against the White Star Line, running regularly.

Mr. HARDY. You have steamers going from here to South Africa four times a month?

Mr. HALM. Ah, but those steamers are furnished by these five or six lines engaged in that trade.

Mr. HARDY. Yet they have to return to this country still?

Mr. HALM. Yes; but some of them, as I say, go to Australia and load Australian cargoes for the United States. Some go to Calcutta and take jute and similar cargoes for the United States if they can get them.

Mr. HARDY. But your whole fleet has got to come back to this country?

Mr. HALM. Yes, sir.

Mr. HARDY. And they all work in harmony?

Mr. HALM. Yes.

Mr. HARDY. Then, why is it they do not bring freight when they come back?

Mr. HALM. Freight from Europe to the United States is not obtainable for an occasional steamer. You remember these four steamers a month belong to five or six different lines, and each owner adopts his own method of getting his own steamer back here. We have our steamers every two months for South Africa—

Mr. HARDY. My understanding was that these four steamers a month to South Africa were all managed in harmony.

Mr. HALM. Only so far as loading in New York for South Africa is concerned. When they are discharged in South Africa it is the owners' own problem to get that steamer or some other steamer back. It does not always follow that the same steamer is occupied in this trade. We load one of our fleet for South Africa, and we may not see her again for a year.

Mr. HARDY. You mean, you charter a steamer for South Africa and when she gets there you turn her loose?

Mr. HALM. If we use one of our own steamers, she goes to South Africa, and my principals in London make such arrangements as they see fit to get her back to the United States. When she gets to England she may not come back here to America. She may load down to the River Plata, and they will supply some other steamer for the next sailing.

Mr. HARDY. Still she is there, and belongs to your line?

Mr. HALM. Yes.

Mr. HARDY. Which is a very strong factor in the shipping?

Mr. HALM. Yes.

Mr. HARDY. And you let her come from there here empty?

Mr. HALM. Yes.

Mr. HARDY. And you do not make any great struggle for freight from Europe to America?

Mr. HALM. Oh, I won't say that.

Mr. HARDY. But you do not make any effective struggle; she practically comes back in ballast?

Mr. HALM. The only cargo that is obtainable for an occasional steamer coming over here—say a steamer that belongs to a line that does not sail regularly on fixed dates on a regular service—is probably not worth getting.

Mr. HARDY. That route is so long and entangled you can not make any fixed dates?

Mr. HALM. No; we can not.

Mr. HARDY. I have no other questions.

Mr. HALM. Of course, in loading for South Africa there is a long voyage. We have to carry a large amount of coal, which takes cargo space that we would like to sell to the shipper, and it is an expensive line to operate.

I should like, if the chairman please, to make some comments on the testimony given by Mr. Story as having a very direct bearing on this whole subject.

By the way, I hand you now the contracts that I failed to hand you this morning—the New York Lubricating Oil Co. and the Union Carbide Sales Co. to South Africa—and I hand you a sample of our regular form of contract from New York to the River Plata, together with the names of 19 firms with whom I have contracts, all of whom can have any of these rates they like, even if their contracts do not include all of them. The only reason their contract does not include all is because they are not interested in them.

The CHAIRMAN. You will remember you promised to get that form of the agreement.

Mr. HALM. I believe I told you our principals said they did not have it.

The CHAIRMAN. I believe that was Mr. Gerhard.

The four exhibits referred to were marked by the stenographer Exhibits Nos. 36, 37, 38, and 39, and are as follows:

EXHIBIT No. 36.

NEW YORK, October 6, 1909.

H. F. HALL, Esq.,

Assistant General Manager, New York Lubricating Oil Co., 116 Broad Street, New York.

DEAR SIR: Confirming our conversation of to-day, it is agreed that the following addition shall be made to contract between our respective companies, dated April 22, 1909:

Refined petroleum, per low top case, Belra, 26 cents ex ship.

Lubricating oil, wax grease, per cubic foot, 15½ cents ex ship.

Gas oil, fuel oil, advertising matter, stationery, per cubic foot or 56 pounds, ship's option, 16½ cents ex ship.

Naphtha, per ton of 40 cubic feet, 40 cents ex ship.

These rates are to apply only on shipments in vessels proceeding direct to that port, and not to apply on transshipments. The above is an addition to the contract and all other conditions are to remain as formerly.

Kindly acknowledge receipt and advise acceptance.

Very truly, yours,

R. P. HOUSTON & Co.
Per WM. E. HALM.

NEW YORK, October 8, 1909.

Messrs. R. P. HOUSTON & Co.,

No. 111 Produce Exchange Building, New York, N. Y.

DEAR SIR: Your favor of October 6, relative to freight rates to Belra. to hand and noted.

We are very much pleased at the position you have taken in the matter and are glad that we can now ship to Belra direct without having to pay the excess freight necessary under the old arrangement.

Very truly, yours,

NEW YORK LUBRICATING OIL CO.
By H. F. HALL, Jr.,
Assistant General Manager.

Engaged for account of the New York Lubricating Oil Co. with R. P. Houston & Co., as agents for the Donald, Currie & Co., Bucknall Steamship Lines (Ltd.), hitherto working as American & African Steamship Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line; freight room for all shipments which the New York Lubricating Oil Co. will have for Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, and Delagoa Bay during the next two years from date at the freight rates and under the conditions enumerated below, namely:

That R. P. Houston & Co., as agents of the lines mentioned, agree on behalf of said lines to furnish at least one steamer per month for all the ports mentioned, except Mossel Bay, during the term of this contract; the quantity of cargo to be shipped to be declared by the New York Lubricating Oil Co. to R. P. Houston & Co. in ample time to allow for proper supply of tonnage, and all shipments to be made in steamers named by R. P. Houston & Co.

The usual form of line bill of lading to be used; all freight to be prepaid; all goods to be delivered alongside the steamers at the loading berths at the port of New York, free of expense to the steamers.

Shipments of naphtha (and) or benzine (and) or gasolene to be accepted, to an amount not exceeding 24,000 10-gallon cases, or equivalent per annum in such fairly average intervals as may be agreeable to both parties to the contract by the lines subject to the conditions imposed by the board of underwriters for stowage of same and subject to regulations in force from time to time of authorities at ports of loading and discharge (and) or Governments (and) or underwriters as to carrying naphtha and its products in quantities, and any extra cost incurred by steamer by reason of or owing to compliance with such regulations to be paid by shippers, but the New York Lubricating Oil Co. is not to assume any responsibility on shipments after they are made. If shipments are made in iron drums or steel barrels they must not exceed 53 gallons each, and such packages must be shipped on deck at shipper's risk. Deck space will be allotted by the agents to local shippers, so that no one steamer shall be required to carry more than a total of 100 drums (and) or barrels in all on a voyage, except by mutual consent. Shipments shall not be made in larger packages unless by mutual consent.

The rates of freight for the various ports are to be as follows:

	Refined petroleum per low-top case.	Lubricating oil, wax, grease, per cubic foot.	Gas oil, fuel oil, advertising mat- ter, stationery, per cubic foot, or 56 pounds, ship's option.	Naphtha per ton of 40 cubic feet.
Cape Town.....	17 cents landed....	11 cents landed....	12 cents landed....	31/3 landed.
Mossel Bay.....	22 cents ex ship....	13½ cents ex ship..	14½ cents ex ship..	37/8 ex ship.
Algoa Bay.....	17 cents ex ship....	11 cents ex ship....	12 cents ex ship....	31/3 ex ship.
East London.....	17 cents landed....	11 cents landed....	12 cents landed....	31/3 landed.
Port Natal (X).....	17 cents ex ship....	12 cents landed....	13 cents landed....	33/- landed.
Or.....	19 cents landed....			
Delagoa Bay (X).....	18 cents ex ship....	13 cents landed....	14 cents landed....	35/- landed.
Or.....	21 cents landed....			

All Cape Town rates are subject to a surcharge of 2½ per cent on the freight, such surcharge to be remitted if the harbor board at Cape Town revert to previous charges.

The rates to Mossel Bay apply only by steamers calling at that port.

(X) The New York Lubricating Oil Co. agrees to pay the ocean rate of 17 cents per case ex ship to Port Natal, and the ocean rate of 18 cents per case to Delagoa Bay, plus the actual cost of lighterage and landing goods on the wharf at these ports, including pier dues at Delagoa Bay; such cost to the New York Lubricating Oil Co., however, not to exceed a total which, when added to the ocean ex-ship rate, would be equivalent to 19 cents per case landed at Port Natal and 21 cents per case landed at Delagoa Bay, pier dues included.

In agreeing that all goods shipped under this contract are to be landed on the wharves by the steamers at Port Natal and Delagoa Bay, it is understood that the lighterage and landing of such goods at these ports shall be under the con-

trol of the steamship lines or their representatives, who assume and pay all the charges connected therewith, including the pier dues. If any separate and distinct sorting charges, however, are incurred at Delagoa Bay through regulations issued by royal decree, same are to borne by the New York Lubricating Oil Co. or their consignees.

Should the lines mentioned make a contract during the period of this contract for the transportation of similar articles to those mentioned in this contract at rates lower than those mentioned above, the New York Lubricating Oil Co. shall be given the benefit of such reductions on the same goods by the said steamer or steamers that carry the goods at the reduced rates.

This contract is to remain in force for a period of two years from date and to continue thereafter indefinitely, subject, however, to termination at the end of two years or at any time thereafter by a nine months' notice in writing by either party to this contract.

New York, April 22, 1909.

Accepted.

Witness:

R. A. NICOL,
WILLIAM B. SHEDDAN.

Accepted.

R. P. HOUSTON & Co.,
Per WM. E. HALM.

As Agents.

NEW YORK LUBRICATING OIL Co.,
Per H. J. HALL, Jr.,
Assistant General Manager.

EXHIBIT 37.

Memorandum of freight contract made this 15th day of November, 1912, between Messrs. R. P. Houston & Co., as agents, and the Union Carbide Sales Co. for all the shipments controlled by them of carbide of calcium during the year 1913 to Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, Delagoa Bay, and Belra, at the following rates of freight:

Cape Town, 35s.; Mossel Bay, 45s.; Algoa Bay, 35s.; East London, 35s.; Port Natal, 37s. 6d.; Delagoa Bay, 50s.; Belra, 60s.

Rates to Mossel Bay and Belra apply only when shipped in direct vessels.

All rates per ton of 2,240 pounds. Freight to be prepaid in New York on delivery of signed bills of lading.

Early advice to be given of the dates when shipments will be at seaboard ready for delivery, and destination to be named before shipment.

Shipments will be transported on or under deck of steamers at ship's option. The carbide of calcium is to be shipped in packages which are passed by the board of underwriters as suitable to be loaded on or under deck and are guaranteed by the Union Carbide Sales Co. to measure not more than 55 feet per ton of 2,240 pounds.

All shipments to be made from New York by steamers of the undernamed companies: Union-Castle Mail Steamship Co. (Ltd.), Bucknall Steamship Lines (Ltd.), hitherto working as American & African Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line.

It is also mutually agreed and understood that this contract covers the entire shipments controlled by the Union Carbide Sales Co. for shipment to South and East African ports and outports, and that on shipments to outports, or ports not named in this contract, the usual advance over the rates to ports named in this contract is to be charged.

R. P. HOUSTON & Co.,
Per WM. E. HALM.

UNION CARBIDE SALES Co.,
By J. R. CRAWFORD,
Assistant Secretary.

NEW YORK CITY, November 15, 1912.

EXHIBIT 38

Memorandum of freight contract made this ——— day of ———, 1912, between R. P. Houston & Co., party of the first part, and Messrs ———, party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahia Blanca from date to April 30, 1913, included.

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (say, 20 days) is given, at the following rates of freight:

	Cents.
1. Harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)-----	16
2. Cleaners, hay presses, grain mills, grain planters, land rollers, pulverizers-----	18
3. Wheelbarrows, shovels, spades, hay forks, chairs, desks, and common furniture-----	20 17½
4. Windmill material-----	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons-----	20
Over 3 tons-----	22
6. Binder twine, per bale-----	23
7. Machinery, up to 2 tons-----	20
8. Lubricating oil (until Dec. 31)-----	15
9. Automobiles:	
Not exceeding 2 tons (until Dec. 31)-----	15
Over 2 tons (until Dec. 31)-----	18
10. Sewing machines (until Dec. 31)-----	14
11. General cargo, not otherwise enumerated, current rates at time of shipment.	

All the above rates are to Montevideo and Buenos Aires and are per cubic foot or 56 pounds, at steamer's option, unless otherwise specified and on pieces not over 2 tons weight unless otherwise specified, but it is understood and agreed that it is not permissible to separate parts of one machine or more of the same class; in other words, if part of a machine is taken at the measurement rate, the machine entire must be carried on this basis, the same with weight freight.

It is agreed that the rates of freight to Rosario and Bahia Blanca for all shipments, irrespective of quantity, by any steamer shall be 4 cents per cubic foot or 56 pounds over the Buenos Aires rates, whether sailing direct or to Buenos Aires first. The rates to La Plata shall be 3 cents per cubic foot or 56 pounds over the Buenos Aires rates.

The rate on binder twine to Rosario, Bahia Blanca, and La Plata shall be 6 cents per bale over the Buenos Aires rates.

Rates on goods not covered by above agreement weighing over 4,480 pounds are to be mutually agreed to between the parties hereto.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

All freights to be prepaid.

All shipments are subject to the terms and conditions of the Houston Line's River Plata bills of lading.

Kerosene, naphtha, lumber, rosin, and other rough or dangerous cargo to be subject to special arrangement.

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. ———, estimated to amount to about ——— tons, from New York to the River Plata ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. ——— are to be accorded the benefit of all such reductions during the period that said rates are reduced.

EXHIBIT 39.

River Plate contractors.

American Trading Co.
 Arkell & Douglas.
 Chipman (Ltd.).
 Donnell & Palmer.
 Dufourcq & Co.
 Graham, S. M.
 Haebler & Co.
 Hagemeyer Trading Co.
 Markt & Schaefer Co.
 Marquardt & Co., H.

Marsily & Co., F. A.
 Peabody & Co., H. W.
 Peck & Co., Wm. E.
 Ramsperger & Co., H. G.
 Rose & Co., L. P.
 United Shoe Machinery Co.
 Staudt & Co.
 Swift & Co.
 Williams & Co., J. D.

Mr. HALM. Mr. Story, as a representative of the unfortunate line that tried to inaugurate a service from New Orleans to Brazil and the River Plate, seems to have made an alarming number of untrue statements, which I can only ascribe to ignorance. You asked him if they were offering a better rate than the conference line's rate. Mr. Story says:

Well, we are not cutting any rates. We never intended to cut any rates, and the rate that we were charging going down was practically the same rate that is being charged now by the conference lines.

The CHAIRMAN. He later came back and corrected that statement.

Mr. HALM. Yes, slightly; on the northbound business only; on the coffee business—not on the southbound business.

We had heard for some time of the effort to establish this line, and of course we were greatly interested in the effect on us. In due time we heard of the charter of the first steamer, the *Inkum*, at the going market rate, of which, of course, we were fully aware. We knew exactly what cargo the *Inkum* could load. We knew fairly well the expenses she would incur in loading, the amount of coal she would burn on her voyage, the expense of discharging, and the time she would be performing the voyage.

Then we commenced to hear from our shippers in New York about the freight rates being offered by them for cargo. Shippers came to us and asked us about the responsibility of the concern, and if it was wise to intrust their cargo to them. We told them that the rates were so far below ours and so far below cost that we would not attempt to meet the rates; if they chose to ship with them, well and good.

To show the inexperience of the people operating this line, which doomed them to failure before the start, I will give you three or four concrete examples:

Our rate on hardwood lumber from New York to Buenos Aires was \$14 per 1,000 superficial feet at the time this steamer started to load. Hardwood lumber originates principally in the Memphis district, and the freight rate from the Memphis district to New York is about \$5.50 a thousand more than it is to New Orleans. So that if they had taken hardwood lumber from New Orleans at anything less than about \$19.50 they would have given the shippers a better rate than they could have secured by our steamers from New York. Instead of taking advantage of that situation in the slightest degree, they made a rate of \$12 a thousand—\$2 less than our New York rate and about \$7.50 less than necessary.

Our rate on resin from New York was \$9 per ton. Resin all comes from the South, with freight rates to be paid to New York. Notwithstanding that fact, our New Orleans friends made engagements for \$8 a ton, \$1 less than we charged.

On wine-barrel shoocks, which are a very important item of tonnage to the River Plate, our New Orleans friends made a rate of 12 cents per cubic foot, as against the New York rate of 13 cents, notwithstanding the fact that the shoocks could move to New Orleans at a rate of about $2\frac{1}{2}$ cents a foot less than to New York. There again they threw away about $3\frac{1}{2}$ cents a cubic foot.

The *Inkum* took about 4,000 tons of agricultural machinery at 12 cents a foot, or \$4.80 a ton. The rate from New York was \$6.40 a ton. They lost on that one item alone \$1.60 a ton, or \$6,400. They made that rate in spite of the fact that the agricultural machinery originated in the Chicago district where the freight rate to New Orleans is 6 cents per hundred pounds less than to New York.

I estimated the loss on the *Inkum* would be at least \$20,000. I have no means of knowing how correct my estimate proved, but they had \$30,000 paid-up capital to start with, and it lasted them for one round trip of that steamer, and two other steamers were redelivered to the owners with forfeiture of their charters in Brazil. Now, I maintain that absolutely sets at rest any claim that the New York lines did anything to interfere with their operation. As I say, they killed themselves; they "died a-borning."

Mr. HARDY. That is a very interesting presentation of that feature, but it also brings up another feature. You instanced quite a number of large items, which can be gotten to New Orleans much cheaper than they can be gotten to New York. Why is it that your company does not run a line from New Orleans, and why do you shut the Gulf ports out of your communications?

Mr. HALM. I have looked into the Gulf ports several times with the idea of establishing a line from one or another of those ports to the River Plate and we found that a line could not live.

Mr. HARDY. But there are lumber, and pitch, and machinery, all of which reach New Orleans at a cheaper rate than from New York?

Mr. HALM. Yes.

Mr. HARDY. Have you any kind of arrangement by which you concentrate all your export shipments so as to give New York the benefit of them?

Mr. HALM. No, sir.

Mr. HARDY. You started, I think, to explain why you did not start a line from New Orleans?

Mr. HALM. I will try to explain that to you. Lumber, as a general proposition, moves in full cargo lots. About sixty or more steamers were loaded last year from Gulf ports to Argentina, possibly more than that. Now, a shipper of lumber sells in sufficient quantities so that he can always fill a steamer, and that shipper charters a steamer direct from an owner, and loads it himself. Therefore there is no margin of profit for a concern loading a steamer for that account. You would always be in competition with the chartered price.

Mr. HARDY. You mean that the owner of the lumber would charter direct?

Mr. HALM. Yes, sir; and he can get a steamer just as cheaply as we can.

Mr. HARDY. Your facilities do not enable you to charter any steamers any cheaper than the sporadic employer of them?

Mr. HALM. No, sir; you can charter a steamer just as cheaply as the largest shipowner in the world if they are satisfied of your responsibility.

The CHAIRMAN. And yet you ship some lumber from New York?

Mr. HALM. Yes, sir; small lots.

The CHAIRMAN. You only have a small amount of shipments?

Mr. HALM. Almost entirely hardwood lumber.

The CHAIRMAN. How about this matter of machinery?

Mr. HALM. The machinery is not a regular movement by any means. The agricultural machinery goes to Argentina for the season of either harvesting or plowing, as the case may be. Mr. Gerhard testified this morning to three or four firms that ship from 60,000 to 100,000 tons per annum of agricultural machinery. Probably one-half that quantity moves in a period of three months, and the rest is scattered. It means that through those three months you have to put up an enormous amount of tonnage to move it, and the other three months you will be going bare.

Mr. HARDY. It is, however, to your interest to concentrate the point of export and get all your exports from one port if you can, is it not?

Mr. HALM. Undoubtedly; because a varied character of cargo permits a better stowage of our steamers.

Mr. HARDY. And permits you to have more regular business, does it not?

Mr. HALM. Yes, sir; certainly.

Mr. HARDY. In your explanation, however, of your not starting this export lumber trade at New Orleans, have you not given sufficient reason why Mr. Story should not have charged your rates from New York.

Mr. HALM. Certainly; the Munson Line has now started a line which has operated a few months from Mobile to the River Plate. The Munson people are experienced people, and we do not doubt they are going to make a success of their line.

Mr. HARDY. Mr. Story thought they were working in harmony with your conference lines. Is there anything in that?

Mr. HALM. Absolutely not.

Mr. HARDY. You have nothing to do with the Munson expedition?

Mr. HALM. No, sir. The general freight agent of that line told me a week or two ago that they had had their eyes on that trade for several years, and only recently they had found the opportune time to start. They are depending almost altogether now on lumber shipments and are nearly filling their steamers with it, leaving just enough room for such general cargo as comes along, with the hopes that in the future they may become an established route that will give them a profitable business.

Mr. HARDY. They are still running from Mobile, are they?

Mr. HALM. Yes, with every prospect of continuing. Mr. Story stated that their great difficulty was the failure to get return cargo, and to that he ascribed his failure. Now, Mr. Humphrey, this morn-

ing and yesterday, referred to the large number of steamers that came back from the Plate in ballast. Well, if the New Orleans people had operated their line along the proper lines there is no reason why they could not return in ballast the same as other people do, but they were not farsighted enough to find out they could not get cargo. As a rather interesting feature of his testimony he says that:

There is one example I want to state to you. For instance, you take the European conference lines that operate from New York to the east coast of South America, upon which we are absolutely and abjectly dependent. Do you know on their downward trip they do not stop at the West Indian Islands—Barbados or Trinidad; they only stop on the way back. The reason is this: If they stop on the way down, the first thing you know all the West Indian islands would be trading with New York or other United States ports, and it would help the development of the United States commerce with those islands. Whereas, the object, naturally, of England—and you can not blame her—is to keep these people trading with the home country by the steamers that operate from Liverpool to the West Indies.

It is such ridiculous statements as that that gives the public the false impression that seems to exist. The Trinidad and Barbados section has ample service from New York. I have no doubt any of these steamship lines would be glad to put on more steamers if the cargo would justify it. I think Mr. Gottheil will testify on that point if it comes to him.

Mr. HARDY. What page of the testimony have you quoted from?

Mr. HALM. The last clause on page 23. Well, now, let us liken that to a railroad train starting out of New York for Chicago, for example. He proposes that the railroad train shall take some cars for Albany and drop them off at Albany, and then proceed with half a train, without any lessening of expenses of operation. That is the idea exactly. The rates to Trinidad and the Barbados being nearer to New York are naturally much less than they are to the River Plate. Why should a River Plate steamer take cargo to the Barbados or Trinidad, and discharge there and go on partly empty? There is nothing shipped from the Barbados or Trinidad to take its place. Another thing, it is at least a four days' loss of time to send a steamer from New York into the Barbados or Trinidad on its way to the River Plate. Sometimes, when we have a particularly heavy cargo we do send steamers into those ports to replace the coal burned in passage, but it is at least a day's extra sailing in miles, a day's stoppage for coal, and then you buck the Para current, which means a further delay of two days. There is no cargo obtainable, even if it paid Argentine rates, at those ports which would warrant you in stopping there.

Mr. AYRES. You were telling us awhile ago about the rebate system from England, I think, in the South American trade, were you not?

Mr. HALM. Possibly it was spoken of.

Mr. AYRES. May I ask you how long your steamers, the Houston Line, have been operating down there?

Mr. HALM. From New York I think it is about 13 to 14 years before I joined the company, and I joined the company about 10 years ago. They were in operation then and had been for several years. They have been in operation from England probably about 20 years.

Mr. AYRES. Before they got into that trade was that same rebate system in effect there?

Mr. HALM. From England?

Mr. AYRES. Well, from the United States.

Mr. HALM. I really could not tell you. I really do not know.

Mr. AYRES. May I ask you if you know anything about the traffic down toward the Isthmus?

Mr. HALM. No; only by hearsay. You have spoken here constantly about making comparisons of the service between New York and the South American countries. There are very good reasons why the United States does not do the business with those southern countries. I think a number of you gentlemen here can look back and see the United States in her earlier days, when this country's needs, her railroads, all her developments, were supplied with money from Europe. That thing applies to-day in Argentina. It is a new country. The railroads all are being built by foreign capital in the Argentine, principally by English capital. Mr. Houston is one of the heaviest owners of railroad securities there. The young men from England, Germany, and so forth, go out there and settle. They conduct the more important enterprises. Their training is in the European countries from which they came. If they want any goods, any supplies for the railroads, they send home for them. They insist they shall have it. No matter if the American locomotive is as good or better, they are not acquainted with its merits. They want the old style English locomotive, if you please. They want the English rails for the railroads. Mr. Houston, being so largely interested in the Argentine railroads, places contracts for large quantities of railroad material.

I know positively that he has had the greatest of difficulty to convince the engineers passing on the supplies for those roads that the rails made in this country are equally as good. Mr. Houston, operating steamers from here, wants that class of cargo from this country, and he throws orders to this country. Naturally, he first will give it to his English friends if he can, but he prefers to have it come to this country than to go to Germany or Belgium; but it is with the greatest difficulty that you can get the Englishman or the German or the Spaniard in those southern countries to place their orders here, where they are unacquainted.

Mr. HARDY. Along that line, do you think any amount of subsidy would change those conditions?

Mr. HALM. Absolutely not.

Mr. HARDY. As I understand you, your conclusion is that the line of this trade is not for the purpose by the shipping company to favor one nationality over another, but in the natural course of trade to explain that Barbados and Trinidad situation by showing that is a necessary route for the full voyage—for the full cargo?

Mr. HALM. Yes; we can not afford to load a steamer—

Mr. HARDY (interposing). Why is it you come by those places coming back, or do you come by those places coming back?

Mr. HALM. Yes; we do. And we are glad to do so. There is some cargo coming from the River Plate and to the West Indies in the way of meats and cereals.

Mr. HARDY. So you have some purpose in touching that country?

Mr. HALM. Not only that, but it is on account of the coal supply. There is no coal in the Argentine. All of the coal in that country is transported either from England or this country, but by the time it gets down there we have to pay about \$11 a ton for coal to burn in our steamers. It costs us something over \$3 in New York; therefore we carry coal out of New York sufficient to take the steamer to Buenos Aires, discharge in the Plate, and come back to what we call the Islands, and there we replenish our bunkers with sufficient to bring us back to the United States. Practically all steamers coming from the River Plate to the United States stop at some of the West Indies to take coal to bring them home.

The CHAIRMAN. Why would not subsidies to American shippers in these trades solve this situation? That seems to be the intention of the advocates of subsidies.

Mr. HALM. As I understand the subsidy question, about all that has been proposed is to pay a subsidy sufficient to offset the increased cost of operation of American vessels over foreign vessels—the subsidy to be maintained until the American line has established itself, when it will be withdrawn. Now, I happen to have here a clipping from Fair Play, probably the most prominent shipping paper in the world, which is headed "Nine years of cargo-boat earnings, for the years 1904 to 1912." It shows paid-up capital, debenture loans, book value of steamers, number of vessels, tons gross, profit on voyages, dividend on capital, per cent, depreciation written off, depreciation at 5 per cent. These cargo boats—I may say, by the way, that the transportation of the world is in cargo boats, not in your Lusitanias—have paid on the average during those nine years dividend on the capital employed 3.75 per cent.

In addition to that they have written off depreciation which can not be figured exactly in per cent, for the reason that methods of charging off depreciation vary; but during those nine years the amount written off for depreciation lacks £3,500,000, about \$17,000,000, less than 5 per cent. If you charge off your depreciation at 5 per cent that means your steamers can become obsolete and paid for in 20 years. As a matter of fact, a steamer in some trades and operated by some lines will become obsolete in far less time than that. Now, what do you offer anybody to come into the trade, even with a subsidy. You propose to pay sufficient to enable an American to invest his capital so that he can go into competition with these foreign-built steamers and earn what—3.75 per cent on his money. That average, I may say, has been increased considerably by the dividends paid in 1912, which amount to 6.82 per cent. Now, do you think that you can get any Americans—think of the opportunities for investment you have for your own money—do you think you can not do far better than 3.75 per cent on your money?

The CHAIRMAN. Let that go in the record.

Mr. HALM. I shall be glad to.

EXHIBIT 40.

Nine years of cargo-boat earnings.

Year.	Paid-up capital.	Debenture loans.	Book value of steamers.	Number of vessels.	Tons (gross.)
1904.....	£7,594,278	£3,157,128	£10,753,752	393	1,184,338
1905.....	8,577,424	3,775,681	12,353,849	464	1,362,040
1906.....	8,081,800	3,689,142	12,130,285	433	1,336,823
1907.....	9,167,259	4,448,905	13,732,764	490	1,516,401
1908.....	9,622,401	4,409,343	14,338,652	533	1,695,537
1909.....	9,517,011	4,985,051	13,915,494	508	1,603,341
1910.....	9,457,650	5,548,999	14,610,877	522	1,725,335
1911.....	9,883,584	6,261,588	15,717,739	535	1,833,360
1912.....	10,559,843	6,058,067	16,477,354	561	1,961,209
Average.....	9,192,361	4,701,545	13,781,196	493	1,582,079

Year.	Profit on voyages.	Dividend on capital.	Per cent.	Depreciation written off.	Depreciation at 5 per cent.
1904.....	£640,541	£277,129	3.64	£216,154	£622,725
1905.....	762,698	286,005	3.33	238,505	740,901
1906.....	979,545	327,445	4.06	348,651	731,971
1907.....	1,079,257	363,077	4.17	413,390	832,716
1908.....	1,145,387	335,165	3.48	393,696	876,170
1909.....	647,997	179,886	1.89	189,043	837,890
1910.....	842,511	217,681	2.30	290,115	864,187
1911.....	1,471,541	370,061	3.73	506,040	943,088
1912.....	2,869,516	720,558	6.82	1,463,919	1,011,028
Average.....	1,159,888	344,112	3.75	451,057	828,984

The CHAIRMAN. Right along that line, do you know what, if any, amount of American capital is invested in these conference lines?

Mr. HALM. I could not say. I should say very little, if any. I do not recall any now. Of course these companies are all stock companies, and I have no means of knowing where it is placed.

The CHAIRMAN. Where the stock is?

Mr. HALM. No.

Mr. HARDY. You do know, do you not, as a matter of fact, that a great deal of American capital is invested in shipping?

Mr. HALM. Yes, sir.

Mr. HARDY. Under foreign flags and in foreign corporations?

Mr. HALM. Yes; but that is generally for concerns like the Standard Oil Co., who have to have a vehicle for carrying their goods to market. Like the groceryman keeping his own wagon to deliver his own goods.

Mr. HARDY. You think, do you, that there is no large amount of American capital, except such capital as the Standard Oil Company has invested, in shipping facilities?

Mr. HALM. Outside of one or two concerns operating carrying lines at home, like the United Fruit Company and the Ward Line. They operate in Central America.

Mr. HARDY. I remember seeing an article by Mr. Clews, who said several hundred millions of dollars of American capital was invested in this foreign shipping.

Mr. HALM. Of course the Ward Line has a good deal of investments in Cuba and Mexico, right on our own doorstep. Take the United Fruit Company, their steamship line is an incident to their handling of fruit. We have advanced our rates sharply during

1912 over the previous years; the price of tonnage has advanced. I am sorry to say we have not been able to advance our rates enough to keep up with that advanced price of tonnage.

Mr. HARDY. What keeps you from doing it?

Mr. HALM. Competition with the rest of the world.

Mr. HARDY. Have you competition in Argentina?

Mr. HALM. Our merchants have, with Germany, England, and Spain.

Mr. HARDY. It is competition with Europe which prevents your raising rates, is it?

Mr. HALM. Yes; if we raised our rates it would put our American merchants out of commission in a great many kinds of business.

Mr. HARDY. Are they not the same transportation companies that carry from Argentina to Europe, that carry from there to New York?

Mr. HALM. To a very slight degree. We have four or five which go from here, while they have many times that number from all parts of Europe.

Mr. HARDY. How many times that number from Argentina to Europe?

Mr. HALM. Probably eight or ten times.

Mr. HARDY. Is there a great deal more shipping that goes from Argentina to Europe than to here?

Mr. HALM. Yes, sir.

Mr. HARDY. And the Brazilian trade; is that from Brazil to Europe carried by the same companies which carry from Brazil to New York?

Mr. HALM. In some cases. In some cases the same lines, like the Prince Line and Lamport & Holt.

Mr. HARDY. Is there any competition from Brazil to Europe or is that subject to conference agreements?

Mr. HALM. I should prefer to have the Brazilian lines answer that. It would only be a matter of guess on my part.

Mr. HARDY. What I wish to get at is, if the same shipping facilities dominate and dictate the rates from Brazil to New York and Brazil to Europe they have the whole thing in their hands, have they not?

Mr. HALM. Oh, no; that is not the case. For instance, we have the Hamburg American Line operating to Brazil, to and from Brazil, but do not operate at all to the River Plata from New York. I believe they do dispatch some steamers from Europe to the Plate and from Hamburg.

Mr. HARDY. But I understood that the triangle was from Europe to Brazil, or from Europe to New York, Europe to Brazil, and back to Europe again, so the same lines were in conference and that the whole triangle was probably without competition.

Mr. HALM. No; that is not the case at all. That triangle talk has been overdone. It is the natural route on account of the large amount of business going to Europe. You take the Argentine, its exports so far this year; according to my last advices, the Argentine has exported something like 7,000,000 tons of corn, wheat, oats, and linseed to Europe. Maybe a few thousand tons might have come into the United States, but that is a negligible quantity. Now, that means that there are bound to be a great number of steamers going from Argentina to Europe.

Mr. HARDY. Just one other question. Have you traveled from New York to Argentina and from New York to Brazil, either?

Mr. HALM. No, sir.

Mr. HARDY. Do you know, as a matter of fact, whether there is anything in the claim that the connection and communication is so fearfully bad between here and that country that we can not do any business because we have no line of communication for passengers?

Mr. HALM. It is all nonsense.

Mr. HARDY. You think passengers can come from Rio here as convenient as from Rio to Southampton?

Mr. HALM. No; I do not say that. We do not have the number of steamers plying between New York and the Brazils or Argentina that they have between Europe and those countries.

Mr. HARDY. If you did have, would it not be a necessary loss of investment if you had those passengers?

Mr. HALM. Not if the business warranted.

Mr. HARDY. If there was not any such business, would it warrant it?

Mr. HALM. No.

Mr. HARDY. You just simply can not have the travel when there is no travel there, is that so?

Mr. HALM. The communication is not there; there are almost no Americans located in those southern countries. The Germans there, and the English, when they want to travel or do business, go to their own home countries.

Mr. HARDY. Do you not really think it would be a good thing for this Government just to send some flying vessels down there every day or two so as to induce that traffic?

Mr. HALM. It would not induce the traffic, not at all. Take one means of maintaining service, one means for the maintenance of service between Europe and the Argentine. There are probably 300,000 laborers who go from the Mediterranean countries every year to the Argentine to harvest their grain and go back home again.

Mr. HARDY. There is a summer harvesting trip, is there?

Mr. HALM. Yes; they make a very cheap rate, something about \$30 apiece. Those people go out there for a jaunt, earn some money, and go back home and loaf, and go back another year. There is an item of 300,000 people; that takes several steamship lines to handle them.

Mr. HARDY. They must have something better than pauper wages down there in order for them to pay that rate every six months.

Mr. HALM. They are complaining constantly that they have not enough labor. Argentina is one of the most expensive countries in the world to live in. The claim is made that the business from the United States to that country is restricted by lack of communication. I have here the Daily Consular and Trade Reports—I do not find the date on it, but that is immaterial—it is a report made by the consul general, R. L. Barberman, of Buenos Aires, giving the imports and exports from the various countries of the world to Argentina during the first six months of 1911 and the first six months of 1912. During 1911 the imports from all the countries of the world amounted to \$172,600,000. During the same period in 1912 the imports amounted to \$176,900,000, an increase of \$4,300,000. Now, under this restricted service that these foreigners

are supplying to the shippers of the United States, the United States business increased from \$21,000,000 in 1911 to \$27,400,000 in 1912, an increase of \$6,400,000, as against a total increase in the country of only \$4,300,000. In other words, we got \$2,000,000 and some odd thousand more than the total increase of the business. Our shipments increased 30 per cent during that period.

Mr. HARDY. With that, what was our per centum of the whole imports?

Mr. HALM. Fifteen per cent. The United Kingdom got 29 per cent. I will take them in the order of their size. Germany, 17 per cent; France, 10 per cent; Belgium, 5.6 per cent.

Mr. HARDY. Briefly, what was the substances of our exports down there?

Mr. HALM. The commodities?

Mr. HARDY. What did they consist of, our exports?

Mr. HALM. Oil, lumber, and agricultural implements.

Mr. HARDY. Machinery?

Mr. HALM. Agricultural machinery; yes. Also resin, steel products, and coal. We have now commenced to ship coal to them.

Mr. HARDY. Not much clothing and stuff of that sort?

Mr. HALM. Not much what?

Mr. HARDY. Clothing.

Mr. HALM. Not a great deal. The foreigners make clothing cheaper than we do.

Mr. HARDY. Are we selling shoes down there?

Mr. HALM. Some; I do not know what proportion. I notice, though, that we are carrying shipments of shoes. There is a constant increase in the finer goods from this country—shoes, underwear, domestics, and such as that. They have been constantly increasing, as we make a better quality.

Mr. HARDY. Something of the finer order?

Mr. HALM. Yes.

Mr. HARDY. The better classes are shipped down there because they want them?

Mr. HALM. Yes. I think that answers your question, about.

Mr. HARDY. You took up that line yourself, and I was glad you did because I wanted to know.

Mr. HUMPHREY. Were you speaking of passenger facilities a while ago, as well as freight facilities, in making your comparison between this country direct to South America and from South America to Europe?

Mr. HALM. That would be included in it, Mr. Humphrey; yes.

Mr. HUMPHREY. Do you not believe that the fact that all these vessels are owned in Europe make them not by accident but by design make the travel from South America to Europe more inviting than from South America to this country?

Mr. HALM. No, sir; there is no reason why they should.

Mr. HUMPHREY. Do you not think it would be some reason, for instance—suppose a purchaser from one of those countries was contemplating coming to the United States to make purchases, do you not think there would be some reason to try to get that gentleman to go to Europe to make his purchases, instead of coming direct to the United States?

Mr. HALM. No. I think all the lines operating steamers from New York would be equally glad to see him come to this country and purchase as to have him go to Europe. There are so many lines operating from Europe that no one line there would be certain of getting the business if they all go to Europe. There is a much better chance for the lines operating from the United States getting it—some one of the lines operating from the United States getting it, than if they were scattered all over Europe.

Mr. HUMPHREY. Well, do you not think it is perfectly natural that foreign vessels work for their own country instead of ours?

Mr. HALM. Well, to a very slight degree.

Mr. HUMPHREY. Their natural tendency would be that way?

Mr. HALM. Yes.

Mr. HUMPHREY. What do you think of the facilities, so far as passengers are concerned, between this country direct with South America and that between South America and Europe?

Mr. HALM. Well, I think—I am not sure when you came in, but I was explaining before you came in something about the enormous amount of travel between European countries and Argentine as warranting a great number of passenger steamers, and I also gave the reasons why there is so little travel between the Argentine and the United States, which could be developed to a very small degree only by an increase in the passenger accommodations.

Mr. HUMPHREY. One reason why we have such little communication with South America is because they purchase such a small amount in this country?

Mr. HALM. Yes.

Mr. HUMPHREY. And one reason, is it not, why they purchase such a small amount in this country is because they find it so inconvenient to get here?

Mr. HALM. No, sir.

Mr. HUMPHREY. You do not think that is a cause for it?

Mr. HALM. Very few of those purchases are made by personal visits. They are made by correspondence or through their representatives.

Mr. HUMPHREY. Well, it is a fact that the most of the passenger travel between this country and South America is by way of Europe, is it not?

Mr. HALM. I doubt that, Mr. Humphrey. I have no means of knowing what proportion go by way of Europe, but I rather doubt that the greater proportion does go that way.

Mr. HUMPHREY. My information is that practically all—not practically all of it, but approximately all of it—does.

Mr. Chairman, upon that point I would like to put into the record a letter that was written to me on July 15, 1911, by Mr. Fred. J. Gauntlet—who has made, as I recall, a great many trips from here to South America—on that particular point.

The CHAIRMAN. Mr. Gauntlet is here in attendance, and I would suggest that you wait until he goes on the stand.

Mr. HUMPHREY. Now?

The CHAIRMAN. I saw him Sunday and Monday, and he was here Tuesday. He stays here in Washington, and I think he would be very glad to come.

Mr. HUMPHREY. I expect to call him later, but I would be glad to put this letter in the record and would like to read a paragraph or two right on this particular point of this travel, so that it might be considered in connection with the testimony.

The CHAIRMAN. It is quite interesting, and I would like to have a chance to cross-examine him on some points of it before it goes in the record.

Mr. HUMPHREY. Very well. I want to say that the import of this letter—as recited by him, he has made a great many trips; my recollection is something like 20—and he points out that in his judgment one thing that tends to discourage trade between this country and South America is that it is general report in South America that the travel to this country is so uncomfortable and that the steamers are of such a character that the passengers do not come that way, but go by way of Europe. Consequently when they reach Europe they have inducements which would naturally come to a man spending money to spend it there instead of coming across the ocean. He says that in all the trips he has made he has never made but one from New York direct, and he would never make another, and calls attention to the fact that the steamers are not suitable for that trade.

Mr. HALM. That was pretty well set forth by Mr. Daniels yesterday, as he spoke of the improvements that had recently been made by the Lamport & Holt Line in the passenger accommodations.

Mr. HUMPHREY. That is the reason I asked about the new vessel. This letter, you know, is about the other vessels. It says there are not proper facilities; that the staterooms are right up against the engine room, and, of course, if you have a stateroom near the engine room when you get in the Tropics, you are not going through that experience more than once on a tropical trip; and he said he would never take that trip again.

Mr. HALM. I feel quite certain that improvements will be made in that trade just as rapidly, or possibly even more so, than the circumstances warrant.

Mr. HUMPHREY. You do recognize the fact, though, that if it is true that facilities between Europe and South America give sufficient accommodations, most of the travel will go that way and be a great handicap to us; is not that true?

Mr. HALM. Oh, yes.

Mr. HUMPHREY. Because, naturally, a man going to make a purchase of goods, unless he would make a large saving here, going to Europe as I have stated, would not come across the ocean.

Mr. HALM. If he felt he would save enough money he would come across.

Mr. HUMPHREY. Well, I say, if he thought he could save that.

Mr. HALM. Yes.

Mr. HARDY. That is the case with all lines of traffic. Where there is a little traffic, naturally the facilities are not equal to those where there is a great deal of traffic.

Mr. HALM. Yes.

Mr. HUMPHREY. The point I want to make is that the United States is practically a subport to Europe; and it is true, it seems to me, Mr. Chairman, that these foreign lines preserve no ships here, and when you refer to our ships in this country the comparison is not fair,

because you refer to them as American ships as against American ships, and here we have a situation where the whole shipping in this country is dictated by our competitors.

The CHAIRMAN. Let us argue the case later. Is there anything further from this witness? If not, we will call Mr. Gottheil.

TESTIMONY OF MR. PAUL GOTTHEIL, REPRESENTING FUNCH, EDYE & CO., OF NEW YORK.

The witness was duly sworn by the chairman.

Mr. HUMPHREY. Were you one of the witnesses before the Steener-son committee?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Mr. Gottheil, state generally to the committee the different trades in which you are engaged.

Mr. GOTTHEIL. My firm represents a number of steamship companies in their freight business. We have no connection whatsoever with any passenger traffic of those steamship companies which are passenger lines.

We represent the Holland-American Line, which runs a weekly passenger service from New York to Rotterdam, and we represent the United Tyser Line, which runs a freight service from New York to Australia and New Zealand.

We likewise act for the Hamburg-American Line as its freight agents for their service from New York to Hamburg.

We also represent the Royal Dutch West India Mail Line, which runs a fortnightly service from New York to Haiti, Curaçao, and Venezuela. They likewise run, or have been running, a weekly service to Trinidad, Barbados, Demerara, and Surinam, in Dutch Guiana, now reduced to a fortnightly service.

Mr. HARDY. Is that passenger or freight?

Mr. GOTTHEIL. They are both freight and passenger boats.

We also represent the joint service of the Hamburg South American Steamship Co. and the Hamburg-American Line, from New York to Brazilian ports.

We likewise are general representatives of the Scandanavian American Line, but particularly their freight business from New York to Christiania and Copenhagen, and as general representatives we have the supervision of their other services from Boston, Philadelphia, Newport News, and Baltimore to Copenhagen and Christiania.

We represent the German steamship company, Hansa, which has a service from New York to South Africa, New York to India, and New York to Java. The Hansa Co. is part owner of the United Tyser Line, already mentioned, and which has a service from New York to Australia and to New Zealand.

We are also the freight agents for the United States, China and Japan Steamship Line, running a service from New York to the Far East, to the Philippines, Singapore, Hongkong, Shanghai, and Japan.

I see that my summons also calls for particulars regarding the Sloman Line. That is under the auspices, practically, of the United States Shipping Co., for which I am likewise asked to appear. My

firm acts as general agents of the United States Shipping Co. The United States Shipping Co., so far as the present summons is concerned, operates for the so-called Sloman Line from Newport News to Hamburg. I may say that the Sloman Line was bought some time ago by the Hamburg American Line and is now part and parcel of the Hamburg American Line.

I am also summoned to appear here on behalf of the German-Australian Line. The German-Australian Line is likewise a part owner of the United Tyser Line, already mentioned, and it is likewise a part owner of the line running from New York to Java. That is the service referred to in connection with the Hansa. In addition, my firm does a very considerable chartering business from all ports of the United States, and has in that way connections along the coast.

The CHAIRMAN. Mr. Gottheil, you were here yesterday, were you not?

Mr. GOTTHEIL. I was not.

The CHAIRMAN. You heard the statement to-day by Mr. Gerhard with reference to the Brazilian trade?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. I do not want to go through that whole matter in detail. What do you say to his statement with reference to that trade, whether or not he has given, in substance, the facts as they exist to-day?

Mr. GOTTHEIL. He has undoubtedly given the facts as fully as I could probably give them myself.

The CHAIRMAN. You concur, then, in his statement with reference to the Brazilian trade?

Mr. GOTTHEIL. Yes. I can not think of anything that is worth mentioning that would differ, excepting perhaps to make one or two statements in connection with that trade. The statement I should like to make, first of all, is to repeat to this committee what I stated in my testimony at the time when I appeared before the so-called "Olcott" committee—that the total trade from New York to South American ports covered 493 departures per annum at that time. I am quite certain that, taking the general expansion of trade, this number of departures has materially increased. If it interests the committee, I shall be very glad to get up statistics and submit the same. But, so far as that number is concerned—and which you will realize, gentlemen, means a steamer and two-thirds every working day—I think it shows that the trade must be fully covered by the steamship opportunities offered on the part of the lines engaged in that business.

Mr. HUMPHREY. Will you at the same time submit a list of those that run from Europe in connection with them?

Mr. GOTTHEIL. I have no record of it.

Mr. HUMPHREY. I say, will you? I understood you to say you were going to.

Mr. GOTTHEIL. I shall be very glad to gather what data I can.

The CHAIRMAN. We will be very glad to have you do that.

Mr. GOTTHEIL. I will be very glad to do that.

I wish to say, furthermore, that at that time there were 110 departures to the River Plate. I am quite certain from my general

knowledge of the business that there have been a great many more departures during the recent 12 months. There were also 77 departures to mid-Brazil and south Brazil, and I am pretty certain that this number has materially increased. I likewise stated at that time that there were 36 departures to the Amazon, and that in addition the balance was made up by connections to the more northern ports of Venezuela, etc.

I should furthermore like to state here that of the total business to Brazil the three lines which are working together and cooperating with each other have carried only 23 per cent of the total cargo. I make this statement because there seems to be a general impression, which is made a great deal of by parties who have interests of their own to serve, that these three lines monopolize the trade.

Mr. HUMPHREY. They carry what per cent—23?

Mr. GOTTHEIL. Twenty-three per cent.

Mr. HUMPHREY. What lines are those?

Mr. GOTTHEIL. The Lamport & Holt Line, the Prince Line, and our joint service, consisting of the Hamburg American and the Hamburg South American steamships.

Mr. HARDY. You mean they carry only 23 per cent of the northern trade—the United States trade?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Or 23 per cent of the total trade?

Mr. GOTTHEIL. Of the total trade from the United States to Brazil.

Mr. HUMPHREY. What per cent of the trade do they carry of the ports at which they touch?

Mr. GOTTHEIL. That I do not know. I have not looked into that and it would be very difficult to obtain that.

Mr. HUMPHREY. It is very much larger than 23 per cent, is it not?

Mr. GOTTHEIL. I say that these lines carry 23 per cent of the total freight of the United States to these different ports, so that other companies or other steamships have carried 77 per cent.

Mr. HUMPHREY. There are certain ports, of course, in South America to which you do not go, is there not? Certain ports that your lines do not run to?

Mr. GOTTHEIL. Oh, that we do not run to—certainly.

Mr. HUMPHREY. In making your calculation as to the amount carried when you say "23 per cent" you mean the total amount from South America to this country, or do you mean—

Mr. GOTTHEIL. I did not say South America. I said Brazil.

Mr. HUMPHREY. Brazil?

Mr. GOTTHEIL. Yes. I desire to state here, in answer to your remarks, Mr. Humphrey, that we go to the ports in Brazil which take the most cargo. That practically outside of the Amazon there are no other ports that we do not touch at and we do not carry freight to.

Mr. HUMPHREY. What lines carry the 77 per cent?

Mr. GOTTHEIL. I did not say "lines." I said cargo by other steamers. There is the Lloyd Brasileiro. There is the Booth Line, running to the Amazon, and there is a considerable trade which is covered entirely for very proper reasons by charters and tramp steamers.

Mr. HUMPHREY. Do you have any agreement with the Booth Line as to what territory it shall occupy?

Mr. GOTTHEIL. No, sir.

Mr. HUMPHREY. Do you invade each other's particular territory?

Mr. GOTTHEIL. We do not, because that opens—

The CHAIRMAN. Mr. Gerhard went over that question, and he concurs in it, that it was a gentlemen's agreement, each one to keep off the other's territory.

Mr. GOTTHEIL. Mr. Chairman, it opens up a very broad question that I should like to touch upon in a general way after we get away from this particular question. Of course, whatever applies to this subject applies with equal force to all other ports that have a service from the United States.

The CHAIRMAN. I wish to take the witness over these various matters, and then we will clean up later on. I am not going into the Brazilian trade in detail, because he concurs in the view expressed by Mr. Gerhard. Referring to the South African trade—

Mr. GOTTHEIL. Well, before we go to that I should like to say also just a few words. I have not read the testimony of Mr. Story. I only heard it in a general way, but I think I could add something to what has been stated here to show that that enterprise was ill conceived from the beginning, and that it was engineered by somebody who knew nothing of the delicate condition of the steamship trade. The Pan American Steamship Co., it seems to me, started in, to begin with, with an insufficient capital. There are no greater risks in any business that I know of than there are in the steamship business. It is a business that has to be learned from childhood. It is not a business that you can enter into at a moment's notice and feel that you can handle it efficiently. I have no idea what Mr. Story's experience has been in that direction, or what the experience has been of his assistants or associates, but anybody could see that he was going about it in a very inexperienced manner, and that his very foundation was wrong.

I wish to say that he started out at a time when the general improvement in the steamship trade had arrived, after a depression of about 10 years such as probably no other trade has ever gone through. Mr. Halm has given you figures, and I can assure you that they are quite correct, although I have no details. But worse than that, during that depression a great many of the English banks were highly involved in supporting steamship owners in furnishing them money for their enterprises. And steamers were running at a very considerable loss each year. They did not make their depreciation even. And whilst the preceding witness has told you that the life of a steamer is 20 years, and that therefore 5 per cent is a proper and absolutely necessary percentage to fix for depreciation, I wish to bring out the further fact that in my opinion and from my experience 5 per cent is not sufficient, for the simple reason that our underwriters, for instance, will not insure at the lowest rate a steamer carrying sugar from Cuba if she is over 12 years old; and the same way that they will not insure at the lowest rate a steamer carrying grain that is over 12 years old. They will insure some ships at an additional premium when they are 15 years old. I have my doubts whether they would insure a ship that was 20 years old, unless at a prohibitive rate. That shows that even 5 per cent per annum is not sufficient because the ships depreciate more quickly. The moment that the underwriters make a difference between a steamer that is 12

years old and younger and a steamer that is older than 12 years, that ship is at a disadvantage. She can not earn any more what she could earn before. She can not be employed in the best of trades. She has got to seek trades that will not offer her the return which she would receive when she was the proper age. By that I mean, for instance, that when a ship gets old she has to go into the coal trade, she has got to go into the ore trade. That means that not only does she not get the best freight in the market, but she is limited in her sphere where she can seek employment. Further than that, she has to go into the trade where she carries bulk articles, which are very hard on the ship. They knock the ship to pieces. There is nothing worse for a ship than carrying ore.

Now, Mr. Story, to come back, worked into that business at a time when the market for the first time in 10 years had taken an upward turn, and the experience has shown also, incidentally here, that these upward moves in the steamship business are exceedingly limited. It may seem strange to those who are not well acquainted with the business that probably two years are about as long as a real upward movement will last. The present upward movement has been brought about by unusual conditions. We have gone through an inflated boom far beyond the conception of anybody in the trade, and that boom has been brought about by various facts, but very largely by delays which the steamers have experienced all over the world. First of all there have been serious delays in the River Plate. Ships have been there from one to two months trying to get rid of the cargo. I am rather surprised that none of the gentlemen engaged in the River Plate trade have brought out this very, very serious disadvantage to anyone running a service to the River Plate.

Then we have had the coal strike in Cardiff, which laid up a great many ships. We have had strikes in Havre, where ships could not be discharged and had to lay for a long time. We have had some strikes here, and then we have also had the closing of the Dardanelles. If you gentlemen will consider that 200 steamers were laid up on either side of the Dardanelles waiting to go through or waiting to come out for three weeks, and if you will make a calculation of what that means in the tonnage, you will realize that it is a very important factor. Then, besides that I must not forget the serious troubles and strikes that the builders have experienced in England in getting through with their new tonnage. That all has created a scarcity of boats, and has forced an inflation in freight rates, which, I frankly confess, I never expect to see again. Here, Mr. Story, without evidently appreciating the situation, goes to work where he charters a steamer on time and pays her a freight rate which nets the owner something like 30 per cent profit.

I was once discussing with a steamship owner or manager the question of time charters, that is to say, steamers hired to a merchant at a certain lump figure per month. The owner pays the wages of the crew, the maintenance, and the insurance of the vessel. The charterer pays for the coal which the ship burns. He pays the expenses in the port where he may load and discharge, and pays all the loading and discharging expenses. Anyone that takes a boat on time charter runs a very considerable risk. Every delay at sea, every bad day in port, or strike and detention in the loading or discharging port means just so much a day against him. Now, at 6 shillings a

ton, that would mean about \$300 per day that the charterer has to pay. And the odds are all against him. Now, my friend said to me once when discussing time charters—we had both taken a boat on time charter together to run in a certain trade where the tonnage was not otherwise available and where we could not help ourselves—that when two people make a time charter there is always one big fool, and it is never the owner. Now, that is the feeling, that is the appreciation that is given to people who take time charters. Mr. Story could not possibly expect after paying an owner a profit of 30 per cent to make another profit on top of it. But further than that—

Mr. HUMPHREY. Might I ask you, right there, who was the owner of the vessel that Mr. Story chartered?

Mr. GOTTHEIL. One of the owners was J. H. Welsford & Co., of Liverpool.

Now, another thing that Mr. Story, so far as I have glanced at the testimony, brought out, and I believe gave as his special reason why the undertaking had not been successful, was a lack of cargo northbound. He states, "When the Pan American boats came back empty our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage."

I have gathered some statistics here of what we have done on our service.

Mr. HUMPHREY. Before you take that up I should like to know how you ascertain the fact that the owner of this vessel made 30 per cent profit?

Mr. GOTTHEIL. Well, that is a rough calculation on my part, knowing what it costs, about, to run a ship.

Mr. HUMPHREY. Did you get any such statement from the owner of the vessel? Did you talk with him about it?

Mr. GOTTHEIL. Not from those owners, no. Unfortunately, I owned a steamer once myself, and I have had experience, and I can pretty well estimate—mind you, it may have been 35 per cent, or it may have been only 28 per cent or 25 per cent, but it was a big profit.

Mr. HUMPHREY. What I want to know is whether you talked with anyone who knew about the facts in relation to the chartering of this vessel on which you base your statement that he made 30 per cent profit, or whether it was merely an estimate on your part, knowing the ship?

Mr. GOTTHEIL. It is an estimate on my part.

Mr. HUMPHREY. You did not get any information, then, from anyone who owned the ship or knew about this transaction?

Mr. GOTTHEIL. I did not.

The CHAIRMAN. You do not mean to say what he did pay as a charter price for that ship?

Mr. GOTTHEIL. I know it was reported in the market what he paid.

The CHAIRMAN. What is that?

Mr. GOTTHEIL. It was reported in the market what the ship had been chartered at.

The CHAIRMAN. Your estimate, then, is based on the report in the market?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. That is what Mr. Humphrey wanted to know, where you got the facts as to what he paid.

Mr. GOTTHEIL. My facts are based on the knowledge that the Pan American people paid 6 shillings for certain ships, and on my general experience in my line of business, what it cost.

Mr. HARDY. You got his charter price, though, from the quotations in the market?

Mr. GOTTHEIL. Yes. Coming back to what I started to testify to. I have a list here of 16 northbound ships that were dispatched to New York from Brazilian ports in our service. I find that amongst these 16 ships only two of them obtained practically a full cargo, with only one other one which had a half cargo, and that several of them had no coffee at all. A few of them had a few bags. For instance, a steamer came up on the 19th of December with 3,073 bags. Another steamer came up with 11,500 bags, where a full cargo ought to be 100,000 bags.

I merely wish to show by this statement that if Mr. Story had understood his business he would have known that he had no right to count upon a return cargo as a certainty, because the coffee trade is peculiar. It moves certain seasons. It used to move much more regularly than it does now, but that is one of the matters that experience alone will show and teach.

Mr. HARDY. Nevertheless, Mr. Gottheil, you do not question the correctness of his statement that he could not get the cargo there because the merchants down there were restrained by the deferred rebate condition, do you?

Mr. GOTTHEIL. I have no doubt that is correct, and it is perfectly reasonable, it seems to me, that a man who comes in as a newcomer, who has not been tried, the merchants would not know really where they stood. Now I wish to show you another thing—

Mr. HARDY. But even if they do know would they turn loose their deferred rebates and go on to a new line?

Mr. GOTTHEIL. I think that if there had been no rebate system at all any prudent business man would have hesitated considerably before he would have given his cargo to a new venture with time chartered boats, where the owner has a right to put his fingers right on the cargo and say, "Pay me the freight." He might have paid the freight and had it collected the second time. There are all kinds of dangers to which a merchant would expose himself to with a new service. He does not know when that vessel would come to New Orleans. That vessel might lie there in the port of Rio or Santos for a month trying to pick up a full cargo rather than sending the ship half empty, and where would the merchant be who had furnished the 5,000 bags of coffee? That would not be reasonable. No prudent merchant would attempt to do it, irrespective of the rebate system.

The CHAIRMAN. But I supposed he was offering them conditions just as favorable as yours, so far as sailings and other conditions are concerned. At least that is what I inferred from his statement. He said he was confronted with this condition, however, that these merchants said they would be very glad to patronize him, they would be very glad to give the tonnage to him, but if they did they had some deferred rebates, not only in the trade to the United States but in the trade to Europe, that they would forfeit, and the loss in that direction would be greater than the gain in the reduced rate on their shipments that were offered.

Mr. GOTTHEIL. In answer to that statement I will say that if the merchants had made such statements, and if I had been in Mr. Story's position, I should have called the bluff. I have had experience on both sides of the fence so far as rebates are concerned. I have been connected with lines that had rebates. I have attacked lines that had rebates where I wanted to get in, and others have done the same thing. If Mr. Story was sincere, had his backing, had his enterprise well in hand, and knew what he was doing, and if I had been in his position I should have gone to those merchants and said, "Gentlemen, I guarantee you against the loss of these rebates. You give me the cargo." Would not that have been cheaper than going in ballast? But he did not do it. He did not know his business.

Mr. HUMPHREY. It would depend upon what rebates were owing at the time, would it not?

Mr. GOTTHEIL. He could have afforded to have guaranteed the rebate.

Mr. HARDY. Mr. Gottheil, your argument is very fine, but does not the very fact that you resort to the rebate system show that you do not depend on the circumstances that you are relating entirely to hold that trade to yourself? The fact that you do have the rebates shows you need them, does it not; or that you want them in your business?

Mr. GOTTHEIL. Well, I do not think that proves anything, really, if you will pardon me.

Mr. HARDY. What does it prove?

Mr. GOTTHEIL. There is the broad question, of course, of the rebate. That brings me, of course, to a very, very wide subject.

Mr. HARDY. You have a purpose in that rebate system, have you not?

Mr. GOTTHEIL. I have what?

Mr. HARDY. There is a purpose in that rebate system, is there not?

Mr. GOTTHEIL. Undoubtedly that is the purpose—that is, the purpose of the rebate system is not only to protect the shipowner but also to protect the shipper, curious as it may sound.

Mr. HARDY. Still, the interest of the shipowner is primarily in the shipowner, is it not?

Mr. GOTTHEIL. The interest of the shipper is that the shipowner shall be put in a position where he can give faithful and proper service such as the shipper requires, that he shall give it to him throughout the whole year at fixed dates as may be announced, and to enable him to build up an efficient and proper service, so that the business of the shipowner and the business of the shipper shall develop together.

Mr. HARDY. Well, you are not willing to rely on that mutual interest alone to hold your trade, and you resort to this rebate—

Mr. GOTTHEIL. I say that the rebate system protects the shipper as well as the shipowner. I do not rely on the rebate system alone. I was going to say to you, gentlemen, that the reason the rebate system exists, as I understand it, from Brazil, is because it is a recognized system of the other side, and our principals evidently feel that as it is customary and lawful from Europe it should be established in Brazil. But they safeguard themselves by the rebate system against a man who might come in casually. There is no question

about it. It is the only protection that the rebate system really affords to the owner.

Mr. HARDY. You think the rebate system is a good thing?

Mr. GOTTHEIL. That depends on how you look upon the matter. I think the rebate system is not entirely necessary from this country. We have given it up.

Mr. HARDY. Have you given it up because the law required it?

Mr. GOTTHEIL. No. Who says the law required it? I do not say so, and you can not say so.

Mr. HARDY. A witness the other day said it had been tested in the courts, and that Senator Root and other legal lights gave the opinion that it was illegal in this country.

Mr. GOTTHEIL. My dear sir, I know also that in the Supreme Court the judges have differed very considerably on important questions, and they have had four judges on one side and five on the other.

Mr. HARDY. But you have a system here where we have an anti-trust law that you do not adopt down in Brazil.

Mr. GOTTHEIL. But the antitrust law is in court; two of our cases are in court. We hope we shall know after the decisions are rendered just where we stand. I do not think anybody will blame us for not knowing what the law means.

Mr. HARDY. But you do adopt a system in Brazil which you do not adopt in this country.

Mr. GOTTHEIL. The owners have adopted that system, and the reason—to come back to your question—why the system was dropped here is not altogether because—with due respect to all the gentlemen who are in the legal profession on this committee and to our counsel here—our counsel told us: “We think you had better give it up, because we claim that that matter perhaps should be tested.” But we gave it up partly because we found it created more or less trouble with our shippers; they have not been educated to it; they do not understand it. It was not necessary because we rather felt that with an efficient service, that by treating shippers loyally and with consideration, by having always, as far as one could possibly foresee, room available for them, by giving them every facility to develop the trade—and I make this statement most advisedly, in the face of misstatements that are being made in this country all the time against the foreign lines—by working together with the shippers, by looking upon the shipper as a friend, as we do, we accomplish the same thing. And I do not exclude Mr. Douglas, in spite of his statements, because Mr. Douglas is one of our most important shippers. We are most friendly with him. But he has a little idea about subsidy, and he thinks that when he can say anything against the foreign lines he must bring it out.

Mr. HARDY. You and I are not differing about the subsidy. I just want you to come down to the admission that, notwithstanding all the arguments you have in favor of your lines, you nevertheless want to strengthen them by the deferred rebates, and that you do do it.

Mr. GOTTHEIL. We do not do it from here.

The CHAIRMAN. Is not this true: If you have the deferred rebate and the pooling system you can combine, and an independent would not have any more show than a snowball at the equator?

Mr. GOTTHEIL. I do not agree with you. An independent will have a chance in spite of the rebate system.

The CHAIRMAN. A very remote one?

Mr. GOTTHEIL. Not a bit. Take my own case. Ten years ago there were two African lines—the Union Castle Line, one of the biggest of England, and the so-called American & African Line. They had a rebate system. The Hansa people listened to certain representations we had made to them. There was dissatisfaction. I am not withholding actual facts; I do not wish to withhold actual facts from this committee. I wish to give the committee every possible information, because the steamship man never has had a square deal and an opportunity to express his views at any time, because the moment he opened his mouth and had anything to say there was a cry: "He is trying to monopolize trade; he is not a good American citizen; he is only looking out for himself." And any stand that the foreign steamship agent might have taken, whether it was in connection with a subsidy or in connection with free ships, would be misjudged. So much so, as I stated in my testimony before the Olcott committee, that the late Mr. Schwab, particularly noted when there was a vote in the chamber of commerce in New York, that he did not vote either way. We have been keeping quiet, and we have had no desire to come forward, because our action, whatever it might be, would always be misjudged as being based on selfish motives.

So I want to say that when our friends listened to our representations and decided, because there was dissatisfaction among the African shippers, because the rebate system was not liked by them, because they were not given that consideration at that time which they should have received, to go into that African trade, and there was a rebate, and we put our ships on the berth. I am frank to confess to you gentlemen it was not an easy task. We put our rates down about 50 cents a ton below the rate which the regular lines were asking. And those people who had been most anxious that we should put on a service kept on working—tried their utmost—but they had no say over the freight; none of our shippers, if it comes to a point, has any say over the freight outbound. That freight is the freight of the buyer; he pays it; no one else. And when statements are made that the United States pays so much money to foreign shipping it is an absolute mistake. If I am situated in South Africa and I order 10,000 cases of oil, it is my freight, and I have the right to say which way the freight shall go. And there is another question which confronts new lines and subsidized lines. Everybody seems to think that the man who sells the goods is the man who has all the say, if he likes, in regard to the forwarding of his cargo.

The CHAIRMAN. You do not agree with this statement that we are paying the equivalent of \$300,000,000 in gold to the foreign ship lines?

Mr. GOTTHEIL. No, I do not; because I am paying it——

The CHAIRMAN. I do not believe it, either.

Mr. HUMPHREY. No; they are probably running for nothing.

Mr. GOTTHEIL. To come back to the Hansa matter, we had a hard struggle. I think we had about 250 tons of cargo engaged. I tried to persuade my principals on the other side that the fight was not going right, that the method was not correct, that there was a rebate

system—these people who had largely induced us to go into the trade, although they worked faithfully, their people in Africa would not let them ship by the Hansa because it was their freight; they had the say about the amount of cargo, and they were satisfied to remain with the established lines.

That went on until the ship was on the berth, and to help the situation along a little—we had already been running to India—we took half a cargo to India. It was on our way anyhow; we had to go to India finally, but, of course, in order to win the fight, in order to get the cargo, we had to do something; and, to make a long story short, we dropped the rate something like 30 odd per cent.

Mr. HUMPHREY. You finally made an agreement with them?

Mr. GOTTHEIL. Not at all at that time; not a bit of it. There was no agreement at that time. But we dropped the freight rate 30 per cent below the freight of the allied lines, and our ship was full in less than a week, because the moment those people saw that our concern was determined to have a share of that trade there was nothing in the world that could keep it out. And so it will be, gentlemen, with every trade. The position of the lines to-day is the development from what it was at first.

The CHAIRMAN. How much backing did you have in your venture against their combine?

Mr. GOTTHEIL. The Hansa Co., the third largest company in Germany.

Mr. HARDY. In other words, when you get a powerful enough antagonist you can hold your own until you make terms?

Mr. GOTTHEIL. You do not need a powerful antagonist. The Prince Line worked its way into the Brazil business, and at that time the Prince Line was not particularly big or strong. It has since become so, but it was not at that time.

Mr. HARDY. But it had all the money to go as far as it was venturing. It was building a small house, and had the material to complete it and then enlarge it.

Mr. GOTTHEIL. Of course, a man has got to have a certain amount of backing, and that is the case in every warfare, whether it is commercial, or whether it is between two countries.

Mr. HARDY. Now, Mr. Gottheil, if you had an antagonist, who owned just one vessel and had plenty of money to keep it going, and you knew he was going to do it, you would consider him right smartly, more than you would a man who had 3 or 4 vessels, but not the means to keep them going?

Mr. GOTTHEIL. If a man had one vessel and tried to get into the trade, I do not think we should recognize him. You take one vessel; that will come around every six months in those trades—

Mr. HARDY. I am just making a small illustration. Probably it would be so insignificant you would not consider it. But you would rather run up against a big thing poorly backed than a little thing well backed?

Mr. GOTTHEIL. I do not quite agree with you there, for this reason, that so much depends upon the man who is directing the business.

Mr. HARDY. What is the difference whether you will take a man in or crush him out?

Mr. GOTTHEIL. Determined effort, showing that he is bound to have a share of that particular trade.

Mr. HARDY. If he shows he can have it anyhow, you will take him in?

Mr. GOTTHEIL. If he keeps on fighting. We have been fighting sometimes for 10 years—

Mr. HUMPHREY. It is a question which is the best for you in the end—to fight him or take him in?

Mr. GOTTHEIL. For ourselves?

Mr. HUMPHREY. Yes.

Mr. GOTTHEIL. We do not want any fights, for two reasons: First of all, it means an enormous amount of work and worry. Nobody has any idea what we have sometimes gone through—what I personally have had to contend with—when we were carrying freight at \$2 a ton 16,000 miles—the rate of freight that you pay when you want to ship cargo from New York to Newport News. We do not want it at all. We would rather not have a fight. Besides that, our firm is very materially affected, because our commission is paid on the freight earned on the ship; and the fight means a very material reduction in the earnings on the vessel, and our pocket loses accordingly.

Mr. HUMPHREY. Then, after all, it is a question of policy relative to your own interest whether you drive a man out or take him in?

Mr. GOTTHEIL. It is not a question of policy, so far as we are concerned.

Mr. HUMPHREY. It is a question of self-interest, isn't it?

Mr. GOTTHEIL. It is a question for the principals to determine whether they wish to fight or wish to make peace. As a rule they fight.

The CHAIRMAN. Let us come back to some matters that I want to bring up. You heard the statement of Mr. Gerhard and also of Mr. Halm in reference to the South African trade in which you also are engaged? Now, tell the committee whether you agree with the statements made by them with reference to that trade.

Mr. GOTTHEIL. I think that the statement in regard to the African trade is pretty correct as a whole. I might add a few remarks about that particular trade and bring out perhaps one or two things that have not yet been said.

The CHAIRMAN. Please do so briefly, then.

Mr. GOTTHEIL. I want to say, first of all, that my understanding is that the New York Lubricating Oil Co. is particularly antagonistic to the Standard Oil Co., and my statement is based upon the fact that they made serious complaints at one time because they claimed we were not giving them the same rates as the Standard Oil Co. That is merely in connection with the remarks made here that possibly it was an affiliation with the Standard Oil Co. I am quite certain in my own mind that it is not.

Now, in the African trade, as well as in the other trades where European rates are made to our shippers here, I want to say that these European rates have been demanded by the shippers. In order to compete with Europe they have insisted upon it in the early stages of the business, because it was the basis which they required in order to compete successfully with their strongest competitors. The ship-

owner, I believe, is perfectly justified in demanding, as he demanded at that time, a higher rate of freight from New York than he was taking at that time from Europe. As has been explained to you, gentlemen, there is practically no return cargo from Africa, and the ships have to work their way from Africa either by way of India or by way of Australia to Europe, and then are obliged to come back in ballast from Europe to enter upon their service at New York. This means a very material expense, that expense in coming from Europe being at least \$6,000. In order to forestall a possible question from Mr. Humphrey as to where I got my figures, I will state that I have had experience in bringing boats on time charter across the Atlantic with cargoes or in ballast. I know what it cost me. I have just had a boat arrive at Philadelphia which, owing to the bad weather, took 30 days to cross, and it does not take much figuring to show what that cost.

So that at that time the shipowner, looking at the matter purely from his own standpoint, was quite justified in asking higher rates from America. But beyond this there is one particular question which you gentlemen, I think, should bear in mind, and that is that the earnings of a ship loading at New York for any of these ports we have mentioned—Africa, Brazil, Australia, or China—are materially lower on the same basis of freight than the earnings from Europe. My explanation is that all cargoes from Europe are of a much more miscellaneous character. The basis of a great many of our cargoes to Africa, to Brazil, to China, to Australia, is rough cargo—case oil, lumber, rosin, and the like—which pays a very low rate of freight comparatively speaking. You would take all the goods that are shipped from France alone—silks and manufactured goods, statuary, wines—they all pay a rate of freight very, very materially higher than anything in the shape of general cargo that we have, so that the freight earnings, owing to the higher grade of cargo are very much larger from the European ports, although we have the same basis, than they are from New York, but not only this. The expenses at a port like New York, compared with a European port, are so extremely high and so much greater than they are on the other side, that there again is a decided disadvantage.

Mr. HUMPHREY. Wherein does the difference consist? I should like to know, asking that question purely for personal information.

Mr. GOTTHEIL. Which difference?

Mr. HUMPHREY. The difference of cost in port charges. Perhaps that is too restricted. You stated the cost at New York was so much greater.

Mr. GOTTHEIL. The cost at New York is, first of all, leaving port charges pure and simple alone, such as pilotage and the tonnage dues which we pay to the Government, putting them aside—

Mr. HUMPHREY. They are not higher, are they?

Mr. GOTTHEIL. They are higher, but they are not materially higher. The great expense is first in the handling of the vessel. At New York we have a pier rent to pay, which I do not believe you pay anywhere else in the world.

Mr. HARDY. To whom do you pay that?

Mr. GOTTHEIL. To the private company, or to the city dock.

Mr. HARDY. You pay it mostly to the railroad company, do you not?

Mr. GOTTHEIL. Not at all, not a single railroad company at all. The docks of New York are different from all other ports along the coast. You go to Philadelphia, Boston, Baltimore, Newport News, and you pay nothing, because you go to the railroad wharf; it is a terminus; the cargo comes in to the wharf and is loaded practically from the cars into your ship, and there is the attraction to the shipowner getting these vessels to go to these different ports. In New York we have municipal docks where the rental of a pier is perhaps \$150,000 a year—a passenger pier. We have private docks and we ourselves, or some of our lines, have a pier in South Brooklyn, where our annual rental is \$60,000 a year, and it would probably, today, be \$80,000 a year if we had not made a long contract some few years ago. Now, in addition, we have all the other terminal expenses that are heavy in the way of the staff on the dock, and of course the most important item, perhaps of all, is the difference in the wages which we have to pay here as compared with the wages that are paid to the men in Europe, who load and unload ships.

Mr. HUMPHREY. What I was particularly interested in, and what I wished to know, was whether we were disadvantaged as to physical conditions, because I happen to be a member of another committee, the Rivers and Harbors Committee. I was under the impression we were spending enough money not only at New York but in other ports, too, so far as port conditions were concerned, to equal any in the world.

Mr. GOTTHEIL. I think the United States Government is spending a lot of money to increase the harbor facilities, such as providing sufficient water for ships, a channel, and so on, and in that part I am quite certain the United States is most liberal, but it does not provide for the other expenses I have enumerated.

Mr. HUMPHREY. That is what I am interested in knowing, whether it was due to any physical conditions or not.

Mr. GOTTHEIL. Well, I merely wanted to show to you gentlemen why I think that, as far as this agreement is concerned, I believe that nobody could possibly provide a condition that is more favorable than the condition which exists at present, by which the American shipper and the American manufacturer is enabled to compete successfully with his main competitors, although it is done at a considerable difference on the part of the shipowner.

The CHAIRMAN. A loss of profit, do you mean?

Mr. HARDY. You think he is treated fairly, and even more than fairly, taking everything into consideration, do you not?

Mr. GOTTHEIL. I think the American shipper has no ax to grind whatever.

The CHAIRMAN. You speak of the agreement. Do you agree with Mr. Hitch and other witnesses that there was an existing agreement with reference to the South African trade between these conference lines?

Mr. GOTTHEIL. There is, so far as I understand. I have no positive knowledge. I understand there is an agreement between those lines.

The CHAIRMAN. Did you ever see that agreement?

Mr. GOTTHEIL. Never.

The CHAIRMAN. You have no copy of it in your possession, have you?

Mr. GOTTHEIL. I have not.

The CHAIRMAN. As called for by this subpoena?

Mr. GOTTHEIL. I have not.

The CHAIRMAN. Couldn't you get us a copy of it?

Mr. GOTTHEIL. Do you wish me to get you a copy?

The CHAIRMAN. Yes.

Mr. GOTTHEIL. I would be glad to try, and I see no reason why they should not supply it to the committee.

The CHAIRMAN. Do you not think you have influence enough with your principals to get it?

Mr. GOTTHEIL. Well, if you get me a man on the other side who has his own opinions, influence may not go a long way with him, but I will try my best, because I think it is an opportunity to show—

The CHAIRMAN (interposing). We will judge your influence by your success or failure.

Mr. GOTTHEIL. Oh, yes. You may be disappointed.

The CHAIRMAN. What do you understand to be the terms of that agreement?

Mr. GOTTHEIL. I have no idea what it is.

The CHAIRMAN. It includes a rebate feature—you understand that, do you not?

Mr. GOTTHEIL. There are no rebates, I am sure, because if there were we would know it. There used to be rebates, but they had been given up.

The CHAIRMAN. Well, there is a pooling arrangement, is there not?

Mr. GOTTHEIL. I believe so. I have no means of knowing, but I think so. I should like to add just one thing here in connection with certain questions that were made; they refer mostly to the African and the Brazil agreement. I think it should be stated here definitely that the Prince Line, which has a service both to Africa and Brazil, has no European service to those ports. Now, just to counteract statements to the effect that there is a shipping trust, that the business is divided between the different lines, and that it is regulated by European influences, I am quite certain from my knowledge of Mr. Knott, the manager of the Prince Line, that if ever any question arises as to the question of rate, being equal from here, compared with Europe, that if anything he will work in favor of the American rate being lower, because it is to his interest.

The CHAIRMAN. Let us not go too far in that direction. Your line is also in the Australian trade, is it not?

Mr. GOTTHEIL. Well; yes, sir.

The CHAIRMAN. State whether or not your company is a party to any agreement or arrangement or understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States, or to or from Australia.

Mr. GOTTHEIL. There is an understanding. I have been told there is nothing in writing.

The CHAIRMAN. Do you have conferences?

Mr. GOTTHEIL. Not conferences, I would not call them; but our associates and our own representatives meet at irregular times.

The CHAIRMAN. How often?

Mr. GOTTHEIL. Well, that is hard to say.

The CHAIRMAN. Tell us approximately.

Mr. GOTTHEIL. Let us say twice a month, perhaps three times.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York.

The CHAIRMAN. Where are the headquarters?

Mr. GOTTHEIL. There are no headquarters; there is no secretary. They come together at the different offices, sometimes.

The CHAIRMAN. What lines are they?

Mr. GOTTHEIL. We have the United Tyser Line, the United States & Australian Steamship Co., which is owned by four American shippers, large shippers to Australia, including Mr. Douglas, and the American-Australian Line.

The CHAIRMAN. All three of these lines charge exactly the same rates from New York to Australia, do they not?

Mr. GOTTHEIL. They do; yes.

The CHAIRMAN. Where are those rates made?

Mr. GOTTHEIL. Well, they are made in Europe, together with the American company. They have each their say.

The CHAIRMAN. But where, in fact, are they made, agreed to?

Mr. GOTTHEIL. They are in fact made in both places. That is to say, if the American-Australian Steamship Co. or the United Tyser Line wished to change a rate and the United States & Australian Steamship Co. said "I will not agree to it," it can not be changed, so they are made in both places.

The CHAIRMAN. The rates can not be changed except by agreement?

Mr. GOTTHEIL. Except by agreement; yes, sir.

The CHAIRMAN. And they are made, in the first instance, by agreement, are they not?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. As regards the return voyage, state whether or not they make shipments from Australia to this country.

Mr. GOTTHEIL. They make no shipments at all, excepting that one of our companies has had two ships during the wool season come in with part cargoes of wool. They come mainly to Boston and very small quantities to New York, but that move has not been practical for the simple reason that London is the great wool market and that shippers prefer to send their wool to London, and then they have the whole world before them to distribute, and wool is, of course, a very expensive article and the freight, or savings on freight, by direct service plays no important part at all.

Mr. AYRES. By what routes do you sail from New York to Australia?

Mr. GOTTHEIL. Around the Cape of Good Hope.

Mr. AYRES. You do not go across the Panama Isthmus; you do not ship any stuff that way, do you?

Mr. GOTTHEIL. We can not go by way of Panama yet. We hope to go that way when the canal is opened.

Mr. AYRES. But I supposed there were some arrangements for some of the shipping lines across the isthmus by way of the Panama Railroad.

Mr. GOTTHEIL. There are some of the European lines that operate from this coast, the east coast of the United States, which have an arrangement so far as Europe is concerned in connection with the

Panama Railroad or with the Tehuantepec road. Of course, there are services that go from the west coast of America that run along the west coast of South America and over to Europe that will stop at some of those places that may carry fruit from California and land it at the Isthmus and some of them go into Mexican ports and Central American ports and pick up coffee and perhaps ship it via Colon to Europe, but none of the lines that we have anything to do with at present go in that direction. We hope to go to the west coast of South America when the Panama Canal is opened.

Mr. AYRES. But at present you do not transship anything across the isthmus, do you?

Mr. GOTTHEIL. We, of course, know all these different services and, in fact, through our West Indian service—the Barbados service and the Haitian service—we come in contact with all those West Indian lines—well, I will tell you, gentlemen, we come in contact with a great many lines under the American flag that work and cooperate as we do in the foreign trade; and we have what is known as the Caribbean conference, and a line owned by the United States Government is practically a member of that conference, the Panama Railroad Steamship Co.; so we are all operating in the same direction on the same basis.

The CHAIRMAN. You may state whether or not there is any written agreement between these conference lines, the American-Australian Steamship Co., the United States & Australian Steamship Co., and the United Tyser Co. Line with reference to the Australian trade.

Mr. GOTTHEIL. I am not able to say that there is any written agreement. I will go a little further and make this statement, that when summoned to appear on behalf of the United Tyser Line, I cabled the fact to the principals in London and they have in turn cabled that there is no written agreement.

The CHAIRMAN. Is there any understanding, not in writing, between you?

Mr. GOTTHEIL. There is an understanding, undoubtedly.

The CHAIRMAN. What are the terms of that understanding?

Mr. GOTTHEIL. As far as I can judge it, of course it is an understanding by which each has a certain number of sailings; that some of the lines will go on one route; some of the lines will go on another route. In other words, the trade embraces Australia and New Zealand and the one advantage or one of the many advantages of cooperation—

The CHAIRMAN. I am not asking you about advantages, I am asking you about the fact. You do have an agreement as to the sailings, do you not?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Do you have any agreement as to the division of tonnage?

Mr. GOTTHEIL. Well that follows, the division of tonnage, because—

The CHAIRMAN (interposing). Do you have an agreement as to the pooling of earnings?

Mr. GOTTHEIL. I believe there is such an agreement.

The CHAIRMAN. Have you any agreement with shippers as to deferred or other rebates?

Mr. GOTTHEIL. None whatever.

The CHAIRMAN. What other features of that agreement are there to which I have not called your attention? State all that you know, or from information can state, with reference to the terms of that agreement.

Mr. GOTTHEIL. I know of no other feature that I think would interest this committee as being any different from what the general understanding is that rates are agreed upon, that as many ships are furnished as the trade requires, and the three lines take their turns in furnishing the sailings.

The CHAIRMAN. And the business is directed and controlled from New York in conference by the representatives of the different lines, is it not?

Mr. GOTTHEIL. From New York and London.

Mr. HARDY. What penalty have you, if any, for violation, or do you contemplate any violations of this agreement between you?

Mr. GOTTHEIL. I have no informaion. If I had I would be glad to give it to you.

Mr. HARDY. If there is any penalty provided for violation of your mutual agreement, you do not know what it is, do you?

Mr. GOTTHEIL. I do not know. I do not know whether there is any, or if there is, what it is.

The CHAIRMAN. I believe you say you are in the port of Haiti, are you not?

Mr. GOTTHEIL. Yes, sir; Haiti and other West India ports.

The CHAIRMAN. Now, taking Haiti, has your company any agreement with any other line in this trade? If so, what line or lines?

Mr. GOTTHEIL. Well, the—

The CHAIRMAN. What lines operate from New York to Haiti?

Mr. GOTTHEIL. From New York to Haiti—the Atlas Line.

The CHAIRMAN. The Hamburg-American Line, does it not?

Mr. GOTTHEIL. That is part of the Hamburg-American Line.

The CHAIRMAN. The Royal Dutch West India Line?

Mr. GOTTHEIL. That is one of the West India lines.

The CHAIRMAN. Well, are there any other lines that operate to Haiti?

Mr. GOTTHEIL. To Haiti, no.

The CHAIRMAN. How?

Mr. GOTTHEIL. Not to Haiti.

The CHAIRMAN. They are both under the Hamburg-American control; is that correct?

Mr. GOTTHEIL. The Atlas Line was bought out by the Hamburg-American Line many years ago. It was under the British flag at that time.

The CHAIRMAN. So that there is but one line operating to Haiti?

Mr. GOTTHEIL. No; two lines.

The CHAIRMAN. Well, they are both under the same ownership.

Mr. GOTTHEIL. No.

The CHAIRMAN. What are they?

Mr. GOTTHEIL. The Atlas Line is owned by the Hamburg-American. That is one management. The Royal Dutch West India Mail is under the Dutch flag, under our management.

The CHAIRMAN. Which one do you represent?

Mr. GOTTHEIL. The Dutch West India Mail.

The CHAIRMAN. What arrangement or agreement is there as between those two lines with reference to this trade?

Mr. GOTTHEIL. There is simply a tariff agreement, that is all. They agree to hold the same rates.

The CHAIRMAN. Now, where are those tariffs made?

Mr. GOTTHEIL. They are made in New York.

The CHAIRMAN. By the representatives of the companies?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And only changed on notice?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And the arrangement between you—

Mr. GOTTHEIL. I beg pardon?

The CHAIRMAN. And these arrangements between you are the same in all respects as in these other conferences?

Mr. GOTTHEIL. No, sir. There is only an agreement as to rates and ports.

The CHAIRMAN. There is no pooling arrangement?

Mr. GOTTHEIL. Not so far as I know.

The CHAIRMAN. Are there any deferred rebates to shippers? Do you make joint contracts with shippers?

Mr. GOTTHEIL. No. The trade is very old-fashioned. I think I ought to take a little of your time and take occasion, in a very few words, to tell you about that trade. It is still the old-fashioned trade that it used to be. No cabling is done; practically no cabling is done. Each ship brings up its own orders. In other words, they do not give much credit to the merchant in Haiti, and as a rule he has to send up some product of the country in order to buy what he needs for himself. The trade down is big, but each ship brings its own orders for the return voyage.

Mr. HARDY. It is a primitive condition, then?

Mr. GOTTHEIL. Yes; old-fashioned trade. It used to be in the old days always that way. On the sailing vessels always at that time the captain used to be a trader.

The CHAIRMAN. State whether or not these lines have any understanding or agreement with other lines operating to the West Indies to keep out of the Haiti ports.

Mr. GOTTHEIL. To keep out of the ports?

The CHAIRMAN. Out of Haiti.

Mr. GOTTHEIL. Out of Haiti, no.

The CHAIRMAN. In other words, is it agreed that shall be your territory?

Mr. GOTTHEIL. No, no, no. They can go in at any time they want to.

The CHAIRMAN. And you have no territorial agreement to keep out of their ports?

Mr. GOTTHEIL. No.

The CHAIRMAN. You have no such agreement as that?

Mr. GOTTHEIL. No.

The CHAIRMAN. Will you state whether or not there is any such arrangement with the Clyde Steamship Co.

Mr. GOTTHEIL. The Clyde Steamship Line runs to Santo Domingo; there is no arrangement whatsoever.

The CHAIRMAN. Do you run to Santo Domingo?

Mr. GOTTHEIL. No, sir; we never have. There is no reason why we should not, but if we run to Santo Domingo they would run to Haiti. This American company would have the right to do the same thing as any foreign company would do, and we would be having a fight. We have a conference, if that is what you wish to know. We have a conference that deals entirely with noncompetitive matters.

You have asked me to bring the papers here in connection with conferences. I do not know whether that is what you meant. To this conference belongs the Red D Line, the United Fruit Co., the Clyde Line, the New York-Porto Rico Steamship Co., all American concerns; the Munson Line, the New York-Cuba Mail Steamship Co., and the Panama Railroad Steamship Co. are represented also.

The CHAIRMAN. Now, of course, this is not the beginning of our investigation of this whole subject. We have based our questions on information that has been gathered in the last eight or nine months, which tends to show that these lines all run to certain ports.

Mr. GOTTHEIL. Yes.

The CHAIRMAN. In other words, they have parceled out the territory in order that there will be no friction and, what I suppose they believe, a destructive competition between themselves.

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Now, these lines that you name, they are all in the conference, are they not?

Mr. GOTTHEIL. That depends upon what you understand by "conference lines."

The CHAIRMAN. Well, I suppose it might be a conference for one or many purposes, but I suppose the conference would be to consider mutual interest, to begin with.

Mr. GOTTHEIL. Yes; but this word is used in connection with two different actions. One expression of language is called a "conference," which consists of three or four lines that pool issues and work as a unit, and again we have the "Atlantic freight conference," that started many years ago, and the passenger conference, and the Mediterranean conference, and this Caribbean conference, which is merely there for the purpose of cooperating in matters that are absolutely noncompetitive. To give you an example, for instance, this question will arise as to how to word a bill of lading, the shipping document, or how to word certain clauses on the order which you give to a man to send his goods to the pier, or questions of exchange and matters that are absolutely noncompetitive; that is what these conferences deal with.

Mr. HARDY. Do they not deal with keeping them "noncompetitive," too?

Mr. GOTTHEIL. No; it has nothing to do with that.

Mr. HARDY. You mean that you do not discuss the division of your contracts at your different meetings?

Mr. GOTTHEIL. No.

Mr. HARDY. And what lines you run to the ports, and to what ports they shall go?

Mr. GOTTHEIL. No, sir; absolutely not—absolutely not.

I have the minutes of the first two meetings of the Caribbean, conference, which I will be glad to show you, and I will be glad to

show you what the real intent is. At the meeting the discussion was had in regard to methods now in vogue. First, as to delivering prepaid bills of lading against due bills; that means, a man gets a bill of lading as the express company would give a bill of lading, to show that freight has been prepaid, but they do not give him cash; they give an undertaking that they will pay him so much money; that is for their convenience. That is a noncompetitive question entirely and applies to everyone. Second, as to delivering bills of lading without surrender of dock receipt, which should never be done, because that passes the title of the property without the proper guaranty and right. Third, as to delivering bills of lading to shippers against receipts made out in the name of the shippers without indorsement. Those are all matters of a noncompetitive nature.

Mr. HARDY. I do not think we have an interest in that, unless it relates to competition or something like that.

Mr. GOTTHEIL. It does not.

Mr. HARDY. Just merely methods of procedure.

Mr. GOTTHEIL. And, as I said, the Panama Steamship Co. stated that owing to its company being a branch of the United States Government they could not consistently become a member of the proposed conference; they were willing to attend the conference meetings, and that their line would no doubt be glad to follow the conference. I want to show that foreign lines are not the only ones that do these sort of things; that the American lines oftentimes find it necessary to adopt these means, including the Government.

Mr. HARDY. If I understand it, this conference is nothing more or less than a school teachers' meeting for the purpose of devising the best plan of instruction.

Mr. GOTTHEIL. Yes.

Mr. HARDY. Not dealing with your interests at all in that?

Mr. GOTTHEIL. No.

The CHAIRMAN. Mr. Gottheil, how many lines are engaged in the trade between this country and Venezuela?

Mr. GOTTHEIL. The Red "D" Line, and of course our service, goes there; that is to say, this service that goes to Haiti also touches on its way home to Amsterdam at certain ports in Venezuela.

The CHAIRMAN. Tell the committee if there is any understanding or agreement between your line and the Red "D" Line. And if so, is that agreement in writing? And if in writing, give me its terms.

Mr. GOTTHEIL. There is only a very loose understanding, and there is nothing in writing.

The CHAIRMAN. What is that understanding?

Mr. GOTTHEIL. Well, the Red "D" Line goes more or less direct to certain ports in Venezuela, while our ships go by way of Haiti and other places; and the result of it is that we really are not a factor at all in their business, but we adhere to rates.

The CHAIRMAN. Do you both call at the same ports in Venezuela?

Mr. GOTTHEIL. Yes, sir; but owing to our being an indirect service we have the right to take 5 or 10 per cent less on certain articles.

The CHAIRMAN. You say there is no agreement that you shall not both enter the same ports of Venezuela?

Mr. GOTTHEIL. Our schedule distinctly shows that our ships touch at La Guaira, one of the ports of the Red "D" Line, and at Puerto

Cabello, but I do not know, I must confess here—it is not a business that I follow very closely myself. I am not in a position to say whether there is any such understanding or not. My information shows that there is no such understanding as to our not taking cargo. On the contrary, my man whom I have asked to give me some reports on the question states that, as a matter of fact, we carry very little cargo for La Guaira and Puerto Cabello, and it is natural, because we are quite indirect; we are entirely too slow. It takes one of our ships 17 days to get to Puerto Cabello by the roundabout route.

The CHAIRMAN. Is not there an agreement in substance about like this—

Mr. GOTTHEIL. I beg your pardon?

The CHAIRMAN. Is not there an agreement between the lines in substance about like this—

Mr. GOTTHEIL. I would be glad to have it.

The CHAIRMAN. That if you do not charge less than 10 per cent below the Red "D" rates between New York, La Guaira, and Puerto Cabello, the Red "D" will not resent your cutting their rates to and from Curacao to an extent that will enable them to secure about half of the total freight carried between these ports?

Mr. GOTTHEIL. Well, you have asked me about Venezuela. Now you are talking about Curacao.

The CHAIRMAN. I am talking about Venezuela.

Mr. GOTTHEIL. Venezuela is one thing and Curacao is a Dutch possession, and that is a different island.

The CHAIRMAN. Put the two together. I am just trying to find out what your relationships are.

Mr. GOTTHEIL. That is another matter as far as Curacao is concerned. The general agency in New York for that service makes arrangements with other lines, such as the Red "D" Line. I have no information before me that would point in that direction, but I am rather inclined to think that, if my memory serves me right, that something of that description was arranged; I could not tell you. I will be very glad to inquire and send you word what it is; in fact, I can have it here by to-morrow by telegraphing.

The CHAIRMAN. I have before me the items of the agreement made with the Red "D" Lines, and I give you the agreement as they have sworn to it.

Mr. GOTTHEIL. If they have sworn to it, I have no doubt it is right. I have not got the information, and wish to make it quite clear that there is a general agent in New York.

The CHAIRMAN. I think I have got it in substance. I do not care to misrepresent it to you, of course.

Mr. GOTTHEIL. I do not know.

The CHAIRMAN. You are also engaged in trade with Trinidad, are you not?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What other lines are engaged in that trade?

Mr. GOTTHEIL. The Trinidad Shipping & Trading Co. and the Quebec Steamship Co.—I had better take that out about the Quebec Steamship Co.

The CHAIRMAN. How about the Trinidad Shipping & Trading Co. (Ltd.), the Royal Dutch West Indies Mail Co., the Royal Mail Steam Packet Co., and the Lamport & Holt?

Mr. GOTTHEIL. Yes; they take part in that trade, but I was mistaken about the Quebec Steamship Co.

The CHAIRMAN. Are not those lines I mentioned engaged in that trade?

Mr. GOTTHEIL. Well, not regularly, I would not call that regular service.

The CHAIRMAN. Are there any other lines that are engaged in that service, whether regular or otherwise?

Mr. GOTTHEIL. Not that I know of.

The CHAIRMAN. What is the arrangement, if any, between these several companies with reference to the trade with Trinidad?

Mr. GOTTHEIL. There is an agreement of a very loose nature, to keep the same tariff rates.

The CHAIRMAN. How?

Mr. GOTTHEIL. To keep the same tariff rates, nothing else. I have the tariff here.

The CHAIRMAN (referring to papers). Is this a copy of that tariff?

Mr. GOTTHEIL. I do not think so.

The CHAIRMAN. I will ask you, however, if you have a copy of the tariffs from New York to Trinidad?

Mr. GOTTHEIL. I have it here; that is our tariff.

The CHAIRMAN. Is it the same for all the lines?

Mr. GOTTHEIL. I so understand, at least all the lines of the Trinidad Shipping Co.— [To Dr. Huebner.] Is this what you have?

Dr. HUEBNER. We have that.

The CHAIRMAN. I guess this is a copy of it, is it not?

Dr. HUEBNER. What is the date of that?

Mr. GOTTHEIL. That is May 1, 1911, I think you will find there is a later one, I have given you.

The CHAIRMAN. This is dated May 1, 1911, also.

Mr. GOTTHEIL. That is later, is it not; you see this one is issued—

The CHAIRMAN. This is from Trinidad to the United States.

Mr. GOTTHEIL. Yes, sir; that is from Trinidad to New York; that is quite right.

At this point the chairman handed papers to the witness.

Mr. GOTTHEIL. That is the same; of course, I know nothing about that agreement at all.

The CHAIRMAN. I hand you another paper headed "Regular service from Trinidad to New York, rebate declared on cargo from Trinidad to New York."

Mr. GOTTHEIL (examining paper). This matter does not come under our direction at all; I have no knowledge about it.

The CHAIRMAN. Then, you do not know whether there is a rebate agreement between the conference lines and the trade from Trinidad to New York?

Mr. GOTTHEIL. No.

The CHAIRMAN. Have you never paid any rebates through your office in that trade?

Mr. GOTTHEIL. I think not.

The CHAIRMAN. What is your best recollection about that?

Mr. GOTTHEIL. I believe not; I shall have to inquire.

The CHAIRMAN. In connection with the rebate declaration, I call your attention also to the notice to shippers, which is signed or purports to be signed by the Trinidad Shipping Co. (Ltd.), the Royal Dutch West Indies Mail Co., the Royal Steam Packet Co., and the Lamport and Holt Lines.

Mr. GOTTHEIL. That would be signed by the general agent.

The CHAIRMAN. Where?

Mr. GOTTHEIL. In New York.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York; yes, it would not come within our province.

Mr. HARDY. What is your position, Mr. Gottheil?

Mr. GOTTHEIL. I am freight agent. In order to explain the matter, I wish to state that the company has its own salaried officer in New York who attends to certain matters connected with the business, such as these arrangements connected with Trinidad, getting up tariffs, and the arrangement of rebates, and we would have nothing to do with it.

Mr. HARDY. Who would be the officer that would attend to that rebate?

Mr. GOTTHEIL. Mr. H. Brugmann.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York.

Mr. HARDY. Would he be the man to make these refunds?

Mr. GOTTHEIL. I think so. He may use our office for the sake of bookkeeping; we handle most of the incoming and outgoing freight, and he may use the office, but I do not know.

Mr. HARDY. Your office books would not show the repayment of this rebate?

Mr. GOTTHEIL. Oh, yes, if we paid it it would show something.

The CHAIRMAN. Will you look the matter up and furnish us the information?

Mr. GOTTHEIL. Certainly.

The CHAIRMAN. It is now 5 o'clock, gentlemen. If there is no objection we will now adjourn until to-morrow morning at 10 o'clock, and I presume the members of the committee can be here at that time.

Thereupon, at 5.07 o'clock p. m., the committee adjourned until Saturday morning, January 11, 1913, at 10 o'clock p. m.

JANUARY 11, 1913.

The committee met at 10.40 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Post, and Stephens.

The CHAIRMAN. I have before me a statement containing the petition and exhibits in the case of the United States of America, petitioner, v. American Asiatic Steamship Co. and others, defendants, now pending in the District Court of the United States for the Southern District of New York, beginning on page 26. Did you furnish those exhibits to the Government?

Mr. GOTTHEIL. My partner did; he furnished them to the grand jury in New York.

The CHAIRMAN. The first is a memorandum of agreement called "The eastward agreement regarding the trade between the Atlantic ports of the United States and eastern Asiatic ports." Is that agreement still in force between the companies parties to the agreement?

Mr. GOTTHEIL. I believe it is in force. I have no definite knowledge, but one of the contracting parties, the Union Steamship Co., of Hamburg, has withdrawn.

The CHAIRMAN. When did the Union Steamship Co. withdraw?

Mr. GOTTHEIL. Several years ago, I think. It makes no difference, because they sold out their interest to the other parties—to the United States & China-Japan Steamship Line—and the result would be the same, only as a matter of record.

The CHAIRMAN. They were absorbed by the other companies, were they?

Mr. GOTTHEIL. They sold out to the other companies. For your information, I will state here that the United States & China-Japan Steamship Co. is merely a trade name—it is not a company—but it is formed by two concerns now instead of three. At the time this agreement was entered into it was formed by Mr. T. B. Royden, now known as the Indra Line, the Hamburg-American Line, and the Union Steamship Co. The Union Steamship Co. did not care any more for the trade; it was not profitable, otherwise they would have remained there, so they sold their interest partly to the Indra Line and partly to the Hamburg-American Line. And those two concerns now form what is known as the United States & China-Japan Steamship Line.

The CHAIRMAN. I call your attention to Exhibit No. 2, "Memorandum of agreement regarding the trade between China, Japan, Manila, the Straits, and Malabar coast to the United States via Suez." State whether or not that agreement is still in force between the parties thereto.

Mr. GOTTHEIL. I have no definite knowledge of this agreement or the preceding agreement being still in effect.

The CHAIRMAN. What is your best information?

Mr. GOTTHEIL. I believe that both agreements are in effect.

The CHAIRMAN. I call your attention to Exhibit 3, entitled "Pooling agreement between the owners, including chartered owners of the steamers now being run or to be run in the trade between the Atlantic ports of the United States and the Far East, as set forth in agreements dated the 13th day of April, 1905."

Mr. GOTTHEIL. I am not informed definitely as to that.

The CHAIRMAN. What is your best information in that regard as to whether or not that agreement is still in force?

Mr. GOTTHEIL. I believe that it is. I think there is an agreement of similar description in existence, but whether they are working to-day under that exact agreement we do not know.

The CHAIRMAN. If they are not working under the exact terms of that agreement, they are working under an agreement substantially like that agreement, are they not?

Mr. GOTTHEIL. I believe so; yes.

The CHAIRMAN. Of course you have been in the business a long while and represent a great many different companies. Why is it

that you are not let in and permitted to know the exact status of the trade and the agreements under which the lines for which you are acting as agent is conducted?

Mr. GOTTHEIL. These agreements only concern the principals. They have nothing to do with the operating of the ships—the securing of business—and therefore there is no reason why our principals should particularly inform us.

The CHAIRMAN. While they might not submit to you a copy of the agreement, yet are you not informed from time to time, in the course of business, by cable or letter, that under the terms of the agreement existing between these several lines, you must do this, or you must not do that?

Mr. GOTTHEIL. No. The only thing that we are really informed about is what will be ordinarily done—that the sailings will be fixed, or have been fixed on the other side, and certain parties have certain terms. I wish to explain, Mr. Chairman, that as far as the operation of this particular service is concerned, that the rates are not made abroad; that the rates are made entirely—have been made entirely—on this side; with the exception of the Hamburg-American Line, which has a service from Hamburg to the Far East, there is none of its constituent companies in this trade that has any interest in any business from Europe to the Far East. Now, as far as the Hamburg-American Line is concerned, I wish to add that the management of the United States & China-Japan Steamship Line is entirely in the hands of T. B. Royden, at Liverpool. He represents the Hamburg-American Line's interests, and the Hamburg-American Line has never, to the best of my knowledge, had anything to do with any rate-making question. In other words, I wish to repeat that the Asiatic Steamship Co., being an American concern, and the Barber Line, being practically an American concern, the rate-making arrangements for the handling of the business are entirely within the hands of the agents.

The CHAIRMAN. When you say those are American concerns, you mean they are American corporations, although their shipping is under foreign flags?

Mr. GOTTHEIL. The American and Asiatic Steamship Co. is an American concern. Barber & Co. (Inc.) is an American corporation, and they are also managers of several steamers which are sailed under the British flag, and in that condition they represent two Liverpool owners, who are part of their service, and of course besides that we have the American & Oriental Line, for which Messrs. Houlder, Weir & Boyd are agents, Mr. Boyd being here to testify. I wish to add, in addition, that on account of the large number of ships required for that trade, that while there are four different companies mentioned, that each of these companies again consists of about three different ownerships, and by bringing all these different ownerships together, it is possible to maintain a regular service.

The CHAIRMAN. These agreements include a division of traffic, do they, between the companies?

Mr. GOTTHEIL. The pooling agreement, of course, shows it.

The CHAIRMAN. Then, I will call your attention to Exhibit 4, "The Atlantic ports and eastern Asiatic ports, conference within the pooling rules." State whether or not those rules are still in force, as set forth in Exhibit 4.

Mr. GOTTHEIL. I believe that, with certain modifications that have become necessary since the rules were published, they are practically in use now.

The CHAIRMAN. I understood you to say that the traffic agreements, or the agreement on the tariffs, are made here, and not abroad, in this trade?

Mr. GOTTHEIL. The rates and tariffs are made here.

The CHAIRMAN. Why do you not know definitely whether or not the arrangements, set out in Exhibit 4, are still in force?

Mr. GOTTHEIL. This is entirely a different question. The pooling rules are merely made for a proper management of the pooling abroad.

The CHAIRMAN. How does it happen that they are made abroad, and yet all the other regulations of the trade are made here; for instance, sailings, the division of the traffic and the rates. Those, I understand you to say, are made here.

Mr. GOTTHEIL. Pardon me; I did not say the division of traffic was made here.

The CHAIRMAN. Why is it made abroad?

Mr. GOTTHEIL. Because the principals are situated on the other side, and it is merely an arrangement by which they are enabled amongst themselves to apportion, according to their agreed division, the results. It is practically the same thing as the running of one company. The ships are owned abroad and managed abroad, and everything in that matter is done abroad.

The CHAIRMAN. While the ships belong to different companies in this trade, yet they are practically managed and controlled, and the expenses on the one side and the profits on the other side are all pooled, and if there is any profit, the profits are divided between the companies—and if there are any losses they are divided among the companies, so that, to all intents and purposes, it is one company operating these different lines, is it not?

Mr. GOTTHEIL. Practically so; yes. That is the result.

Mr. HARDY. You stated the owners are situated abroad. I thought you said a number of these companies were American institutions?

Mr. GOTTHEIL. Of course, I said the American and Asiatic Steamship Co. is an American company.

Mr. HARDY. That is a part of this pool, is it not?

Mr. GOTTHEIL. They are one part of the pool; yes, sir.

Mr. HARDY. Are their owners situated abroad?

Mr. GOTTHEIL. They are operating with foreign ships, and they have their own, or a representative in London who manages, as far as I know, that particular affair. The whole thing, if you will allow me to explain to you a little, is handled through a pool manager; that is to say, a man in Liverpool, who represents all the different interests, to whom all the reports come from the owners, and who eventually collects or pays out money to the different interests.

Mr. HARDY. Whether the line be American or foreign, the management is all in Liverpool, is it?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Is there any way, Mr. Gottheil, to ascertain how much American capital is invested oversea?

Mr. GOTTHEIL. It is probably obtainable. I have no doubt that a number of owners are running ships under the foreign flag.

Mr. HARDY. Have you in your mind any idea of the amount of American capital engaged in this shipping?

Mr. GOTTHEIL. Engaged in this shipping?

Mr. HARDY. Oversea, under foreign flags?

Mr. GOTTHEIL. I should not like to state it offhand, but I would be very glad to furnish it after some looking into the matter.

Mr. HARDY. I shall be glad if you will make the best investigation you can; and make it a part of your testimony, as to about how much American capital is engaged in this over-seas trade.

Mr. GOTTHEIL. Of course it will be more or less of an estimate.

Mr. HARDY. I want the best you can give us.

Mr. GOTTHEIL. I will get the nearest I can.

The CHAIRMAN. I suppose you have conferences in this country regulating this trade between these companies, have you not?

Mr. GOTTHEIL. We have meetings, the agents meet regularly every Tuesday at different offices of the agents. It changes every three months. We meet the four different representatives, and every three months we change the place of meeting.

The CHAIRMAN. You say the conferences are held, first, for instance, at your office for three months?

Mr. GOTTHEIL. At the office of Barber & Co.

The CHAIRMAN. For three months?

Mr. GOTTHEIL. Yes; and then at the office of the American & Asiatic Steamship Co.

The CHAIRMAN. For three months?

Mr. GOTTHEIL. Yes; and then at the office of Houlder, Weir & Boyd—

The CHAIRMAN. Just tell us briefly what you do when you get together. What is the object of those conferences, and what business is transacted?

Mr. GOTTHEIL. We discuss the position of the ships, schedule ships; report how much cargo has been booked and how much cargo is still required. We discuss the necessity, if it arises, of holding up a vessel or possibly detaining her for a day or two, and we discuss the future of the sailings, as to what is needed for the trade, whether additional tonnage is required in order to provide efficient and satisfactory service. We discuss when the question of changing rates appears necessary in the tariff—we have a fixed tariff, and it may be necessary, for competitive reasons, either on the part of the overland route from the west coast—possibly a change in the rate may be necessary to meet European competition; or we discuss the question of, perhaps, facilitating the sale of a large quantity of important material, which could not be made on the tariff, but which might be made in competition with Europe if we reduced our rate somewhat, and all matters of that description, everything pertaining to the proper and efficient management of the service.

The CHAIRMAN. That is, you all bring your contracts together with shippers to see what volume of tonnage you have for the outward voyage?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And then you look over your list and see what ships you have available?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. And dispose of them to the best advantage, and, as you say, if there is some tonnage that may go across to the continent to Pacific ports and thence to the Orient, you get your heads together and make a rate to control that traffic by your lines to the Orient?

Mr. GOTTHEIL. If we can.

The CHAIRMAN. I say if you can?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And possibly the same condition may exist in Europe, and you undertake to make a rate that will secure the contract for the American manufacturers, say as against the European, to secure that tonnage for your lines from New York?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. All those questions come up and are handled?

Mr. GOTTHEIL. Yes; and many more.

Mr. HARDY. Along that line I remember a speech made in Congress. I do not know how well founded it was, but it seemed well founded—there was a statement of a shipment from Europe via New Orleans into the interior of this country on which the freight rates were hardly as much as they were from some of our home factories to the same section. That indicated to me, apparently, a union of rate making between the ships and the railroads. Do you know anything about that kind of work?

Mr. GOTTHEIL. This, I presume, is in answer to the question Mr. Halm has referred to me. There is absolutely nothing, to the best of my knowledge, that would show a condition to-day by which there could be anything made on the part of the railway, excepting its tariff.

Mr. HARDY. You have no pro rata agreements as to your shipping rates with the railroads, have you?

Mr. GOTTHEIL. We have none, and I do not believe they exist.

Mr. HARDY. They did exist in the very recent past, did they not?

Mr. GOTTHEIL. They did exist some years ago, before the Interstate Commerce Commission put a quietus on that sort of proceeding, but not now.

Mr. HARDY. Do you think that on freight from New York or Liverpool to some interior point in Texas, any outside line can get in without paying more than the railroad's rate, the Mallory Line, for instance?

Mr. GOTTHEIL. I do not know, of course—

Mr. HARDY. You are not in the coastwise trade?

Mr. GOTTHEIL. No; I do not know anything about the coastwise trade, but I have no doubt, from my general knowledge and pretty close knowledge of all the ports along the coast, that there is nothing to any statement that may be made that there is a cutting of rates by the inland carriers in favor of any ocean carrier, whether coastwise or foreign.

The CHAIRMAN. When the resolution in this case was pending before the Committee on Rules, as I recall, there were statements made like this: For instance, shipments from German ports to inland points in the United States were made under an agreement with the railroads by which the shipments from, say, a German port to an inland point of the United States could be made practically at the same rate as from an Atlantic port to the inland point in the United States, and thereby our tariff laws were practically annulled.

Mr. GOTTHEIL. Of course there was a time when the railroads used to make special tariffs for foreign traffic, and the same condition exists, I believe, in Germany, that for export traffic which comes in competition with other countries a special export rate will be made by the inland carrier. Of course, that is not possible, as I understand the situation to-day, with regard to the United States railways.

The CHAIRMAN. The question is, Do they do it, to your knowledge?

Mr. GOTTHEIL. Oh, no; not to my knowledge.

Mr. HARDY. From your understanding, the German shipper gets the benefit of the cheaper rate for exports, and in the past it has been the case that the importers got the benefit of the cheaper rate in this country?

Mr. GOTTHEIL. The German shipper very often, I believe, gets a lower rate from an interior point to the seaboard than the tariff would be to the port in question if the goods are not intended for export.

Mr. POST. Is that because they have a law to that effect?

Mr. GOTTHEIL. The German railroads, the most of them, are State railroads, so there is no question as to the legal side of that transaction. I would add that I have no very intimate knowledge on this point, but I believe that to be the condition.

The CHAIRMAN. That is my information. Just tell us briefly how the rates are made in this China trade by the conference lines?

Mr. GOTTHEIL. As to the China rates, I think I can answer best by handing you our tariff. We have a tariff under which we are working to the different points, and if there is to be any change in this tariff it must be by unanimous agreement.

The CHAIRMAN. Hand the tariff to the stenographer, to be marked.

[The witness handed the tariff to the stenographer and it was marked as "Exhibit 40."]

EXHIBIT 40.

The general cargo rates to China-Japan ports as per present tariff are as follows:

Aden	35/-
Singapore, C. and J. ports	42/6
Manila	\$10. 50

It is the intention that all classes of merchandise pay these rates with the exception of the special commodities enumerated below, the rates contemplated on these appearing alongside each article.

Merchandise.	China and Japan ports.	Amount.
Ammonia	Aden, Singapore, China-Japan ports	67/6.
	Manila	\$17.00.
Automobiles	Aden	35/6.
	Singapore	42/6.
	Manila	\$9. 25.
	China-Japan ports	37/6.
Bars, steel, in cases	Aden, Singapore, China-Japan ports	35/-.
	Manila	\$8. 50.
Benzine		Same as ammonia.
Bicycles	Aden	35/-.
	Singapore	42/6.
	Manila	\$9. 50.
	China-Japan ports	37/6.
Bolts and nuts		Same as steel bars in cases.

Merchandise.	China and Japan ports.	Amount.
Bones (shipped to Japan only).	Kobe and Yokohama.	85c. per 100 lbs.
Osaka.		92c. per 100 lbs.
Carbide of calcium.	Aden, Singapore, China-Japan ports.	52/6.
	Manila.	\$13.25.
Carbon black.	Aden, Singapore, China-Japan ports.	35/-.
	Manila.	\$8.50.
Cartridges.	To all ports to which they are carried, per case (not exceeding 100 pounds).	\$2.00.
Chloroform and ether.	To all ports.	75/8.
Cigarettes and smoking tobacco.	Aden.	35/-.
	Singapore.	37/6.
	Manila.	\$8.25.
	China-Japan ports.	32/6.
Leaf tobacco.	Aden.	35/-.
	Singapore.	37/6.
	Manila.	\$8.75.
	China-Japan ports.	\$1.10 per 100 lbs.
Cooperage.	Aden, Singapore, China-Japan ports.	35/-.
	Manila.	\$8.50.
Raw cotton—subject to requirements—present quotation.		75¢ per 100 lbs.
Cotton piece goods (in bales).	Aden.	30/-.
	Singapore.	42/6.
	Manila.	\$10.25.
	China-Japan ports.	60¢ per 100 lbs.
Cotton piece goods (in cases).	Aden.	30/-.
	Singapore.	42/6.
	Manila.	\$10.25.
	China-Japan ports.	35/-.
Cotton yards.		35/-.
Explosives and firearms.		35/-.
Flannels.	Aden.	35/-.
	Singapore.	42/6.
	Manila.	\$10.25.
	China-Japan ports.	85¢ per 100 lbs.
Lard.	Aden.	35/-.
	Singapore.	42/6.
	Manila.	\$10.50.
	China-Japan ports (these rates are per 40 cubic feet).	42/6.
Finished leather.		
Unslacked lime.		
Locomotives.		General cargo rate—no lift scale.
Lubricating oil and wax.	Aden.	35/-.
	Singapore, China-Japan ports.	32/6.
	Manila.	\$7.00.
Old newspapers.	Aden, Singapore, China-Japan ports.	35/-.
	Manila.	\$8.50.
Cast-iron pipe.		Same as bolts and nuts.
Primers.		
Rosin.	Aden.	35/- (measurement).
	Singapore, China-Japan ports.	55/- (weight).
	Manila.	\$13.25 (weight).
Rubber cement.		
Revolvers.		
Ad valorem rate.		
Explosives—not less than 25 tons.	All ports.	\$40 per ton.
Firearms, except revolvers.	do.	52/6 per ton.
Revolvers.	do.	3 1/2 %.
Finished leather.	China, Japan.	52/6.
	Manila.	\$13.25.
	China, Japan.	62/6.
Lime, unslaked (packed in water-tight packages), on deck.	Manila.	\$15.75.
Primers (minimum \$25).	All ports.	\$25 per ton.
Ad valorem rate.	do.	3 1/2 %.

STEEL RATES, ALL PER TON, 2,240 POUNDS.

Rails.....	25/-	Galvanized sheets (bundles).....	32/6
Bar iron.....	27/6	Galvanized cases, crates.....	35/-
Plates, I beams.....		Tin plate.....	35/-
Channels, angles.....	32/6	Bridge or structural material:	
Zees and tees.....		Eyebars and other close-stowing material,	
Hoops (straight).....	35/-	say 30 feet or under up to 8,000 pounds..	35/-
Nails.....	30/-	Lattice work or girders.....	
Plain wire.....		Up to 8,000 pounds and over—30 feet..	35/-
Barb wire.....	32/6	Up to 13,000 pounds.....	40/-
Wire shorts.....	35/-	Up to 16,000 pounds.....	42/6
Pipe.....	35/-		

Rates on bar iron and nails 2/6 less than the above to Kobe and Yokohama only.

The CHAIRMAN. Will you please furnish the committee with all the agreements, or contracts, relating to this trade in existence now, or copies of them, as called for in our subpoena?

Mr. GOTTHEIL. We surrendered everything to the grand jury at the time of the investigation. I am sorry, therefore, I can not give you anything more.

The CHAIRMAN. Are they all included in the exhibits printed here?

Mr. GOTTHEIL. So I understand it.

Mr. HARDY. You kept copies of those when you turned over the originals to the grand jury, did you not, Mr. Gottheil?

Mr. GOTTHEIL. No, sir; we did not have the originals at any time. We only gave them copies, and we did not bother about keeping them. They were really of no use. They were sent to us many, many years ago, and we found them absolutely without any special benefit to the working of that particular business. We put them away in some drawer, and finally searched for them and found them.

Mr. HARDY. Your interests are so thoroughly united that while you have an agreement it is hardly necessary to notice it. Is that your answer?

Mr. GOTTHEIL. No; that is not my answer. My answer is that these agreements only refer to the eventual working out of the same after the voyage, let us say, is finished. It has nothing to do with any matter that occurred during the voyage unless it be, of course, the measuring of the ship and that sort of thing, which is provided for.

The CHAIRMAN. These are agreements and rules of the trade, referring to the China, Japan, and the Philippine Islands?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. I believe you say you are also in the trade with India?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Tell the committee what lines are engaged in that trade with which you are connected.

Mr. GOTTHEIL. The American & Indian Line.

The CHAIRMAN. What other lines are there with which you are connected or cooperating?

Mr. GOTTHEIL. None.

The CHAIRMAN. Is there but the one line?

Mr. GOTTHEIL. It is one line consisting of two ownerships, again.

The CHAIRMAN. That is the trade name, the American-Indian Line?

Mr. GOTTHEIL. Yes; that is the trade name. That is the Hansa Co. and the Bucknall Steamship Co.

The CHAIRMAN. Is the Hansa Line a German line?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. And what is the other one; is it a German line also?

Mr. GOTTHEIL. The other is a British line.

The CHAIRMAN. Is the Hamburg-American Line in that trade?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. Just the two lines that you mentioned?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Are they the only lines in that trade between New York and India?

Mr. GOTTHEIL. Direct lines; yes, sir. Of course I should like to add that there is a lot of indirect traffic especially to India, where quick and efficient transportation is needed.

The CHAIRMAN. State whether or not the indirect trade is not also controlled by the conference lines.

Mr. GOTTHEIL. No, sir; it is not controlled by these two lines at all, but the Hansa Co. and the Hamburg-American Co. have a joint service from Hamburg to India, Antwerp to India, and naturally if it is a question of giving dispatch to a shipment, as far as we can, the goods are forwarded via Hamburg. I may say, however, that we have very little control over the indirect shipments, that the indirect shipments go very largely through English ports where they really have the most efficient connection with India and the quickest transportation.

The CHAIRMAN. We have pretty accurate information, we think, that the lines operating from India in this indirect trade westward are all in conference. What information have you on that subject?

Mr. GOTTHEIL. My previous remarks referred to business to India.

The CHAIRMAN. Yes.

Mr. GOTTHEIL. As far as business from India is concerned there is again the situation where the Hansa Co. and the Bucknall Lines operate together as one service, known as the American-Indian Line.

The CHAIRMAN. Is there a written agreement between you in the trade from the United States to India, between the Hansa and the Bucknall Line? Just briefly state what the conditions are. If there is an agreement, what it is, and how the business is conducted.

Mr. GOTTHEIL. All I can say to you is that in a letter from the Hansa Co., dated the 6th of August, 1912, they tell me that they had discussed the various points verbally with Messrs. Bucknall, but they had not drafted any agreement as yet.

The CHAIRMAN. Have you the letter?

Mr. GOTTHEIL. This [indicating] is a copy. I have not any doubt that they have since reached some agreement.

The CHAIRMAN. Will you furnish a copy of that letter for the record?

Mr. GOTTHEIL. Yes, sir; do you wish me to read it?

The CHAIRMAN. Yes; you might read it.

Mr. GOTTHEIL. The letter reads as follows:

BREMEN, 6th August, 1912.

Messrs. FUNCH, EDYE & Co.,

New York.

DEAR SIRs:

Towards, pooling, etc.—The various points have been verbally arranged with Bucknall, but an agreement has not yet been drafted. In order to avoid

that the number of steamers dispatched without particulars being ascertained is increased, the lines have arranged that for the present the following points are agreed between your good selves and Messrs. Norton.

1. Measurement plans, showing compartments and grain capacities tendered for cargo.

2. Total deadweight tendered for cargo.

3. Quantity of bunkers on board on completion of loading.

4. Quantity of stores and water on board on completion of loading.

5. Quantity of water ballast if any on board on completion of loading.

All these particulars can, of course, be set out in the same certificate, and each of the lines supplied with a copy of same.

We would still propose that the certificate makes mention of any space tendered being left unfilled on departure and if so, for what reason, or vice versa, whether the deadweight, which has been tendered has not been used entirely. Will you please let this matter have your attention. May we point out on this opportunity that we have informed Messrs. Bucknall that the deadweight scale of our steamers does already include the stores, provisions, etc., i. e., the light draft of our steamers does already allow for provisions, stores, and water in boilers, or in other words, ship ready for sea. The number of tons which then are given as the carrying capacity therefore simply means the weight of cargo and bunkers she is carrying in the respective draft.

Yours, faithfully,

(Signed) DEUTSCHE DAMPFSCIFFFAHRTS-GESELLSCHAFT "HANSA."

The CHAIRMAN. Who are the American agents for those two lines?

Mr. GOTTHEIL. My firm represents the Hansa Co., and Messrs. Norton & Son represent the Bucknall Steamship Co. But the management of the outward freight is entirely in our hands.

The CHAIRMAN. You make the tariffs?

Mr. GOTTHEIL. We make the tariffs.

The CHAIRMAN. Of course they are the same?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Have you a copy of the tariffs?

Mr. GOTTHEIL. I have the tariffs; yes, sir.

The CHAIRMAN. Will you please furnish them to the committee?

Mr. GOTTHEIL. Yes, sir.

[The witness handed the tariff sheet to the stenographer and they were marked as Gottheil Exhibit No. 41.]

EXHIBIT 41.

Freight rates D. D. G. "Hansa" outward letter.¹

NEW YORK, December 28, 1912.

	Aden.	Karachi.	Bombay.	Colombo.	Madras.	Calcutta.
Lanterns, globes	35/-	30/-	27/6	35/-	35/-	30/-
Domestics	30/-	22/6	20/-	25/-	25/-	22/6
Cotton			60/¢.		70¢.	
Rosin	35/-M.	35/-	32/6	37/6 W.	37/6	35/-W.
Slates	35/-	30/-	27/6	35/-	35/-	30/-
Shooks				\$1.10		
Paper	35/-	30/-	27/6	35/-	35/-	30/-
Oats	35/-	30/-	27/6	35/-	35/-	30/-
General cargo	35/-	30/-	27/6	35/-	35/-	30/-
Bolts, nuts, spikes, rivets, screws	35/-	22/6	22/6	25/-	27/6	22/6
Cloves	35/-M.	65/-W.	60/-	65/-W.	70/-W.	65/-W.

¹ Rangoon tariff.

EXHIBIT 42.

[Royal Dutch West India Mail (Koninklijke West-Indische Maildienst), general agency, 17 State Street, New York. Freight tariff, New York to Trinidad, effective on all steamers sailing after Nov. 1, 1912. Rates subject to change without notice. Funch, Edye & Co., freight agents, Maritime Building, 8-10 Bridge Street, New York.]

Flour, bread, meal, etc.....	40 c. per bbl.
Do.....	22½ c. per ½ bbl.
Apples, vegetables, etc.....	50 c. per bbl.
Pork, beef, pickled fish, beans, lard, sugar, peas, starch.....	55 c. per bbl.
Do.....	30 c. per ½ bbl.

MEASUREMENT GOODS.

Cases, bundles, crates—butter in cases or kegs—glassware.....	12 c. per foot.
Oleo, lard in cases or crates, tobacco in hogsheads.....	10c. per foot.
Carriages, furniture.....	10 c. per foot.
Hams or bacon in cases, crates, barrels, or tierces.....	10 c. per foot.
Measurement goods, not specified.....	12 c. per foot.

WEIGHT GOODS.

Hardware, nails, light machinery, etc.....	25 c. per 100 lbs.
Tar, pitch, rosin, soda, in barrels.....	
Beans, bran, feed, malt, peas, pollard, rice, sago, or tapioca, in bags.....	
Currants in barrels.....	30 c. per 100 lbs.
Coffee, birdseed, spices, in bags.....	
Galvanized iron.....	21 c. per 100 lbs.
Carbide in drums, bisulphide, cartridges.....	60 c. per 100 lbs.
Hay in compressed bales.....	45 c. per 100 lbs.
Rope.....	40 c. per 100 lbs.

HEAVY MACHINERY.

(Ship's option, weight or measurement.)

Packages over 1 ton, but not over 2 tons, 30 c. per 100 lbs. or 12 c. per foot.	
Packages over 2 tons, but not over 4 tons, 50 c. per 100 lbs. or 13 c. per foot.	
Packages over 4 tons, but not over 5 tons, 55 c. per 100 lbs. or 14 c. per foot.	
Packages over 5 tons, but not over 7 tons, 60 c. per 100 lbs. or 15 c. per foot.	
Packages over 7 tons, but not over 9 tons, 65 c. per 100 lbs. or 20 c. per foot.	
Packages over 9 tons, but not over 10 tons, 75 c. per 100 lbs. or 30 c. per foot.	

LIVE STOCK.

Horses.....	\$30. 00 each.
Mules.....	20. 00 each.
Cows.....	20. 00 each.
Sheep.....	\$1. 75 each.
Dogs.....	3. 00 each.
Pigs.....	5. 00 each.

Freight on live stock must be prepaid.

SUNDRIES.

Acid in carboys.....	\$2. 00 each.
Ammonia in cylinders.....	8. 00 each.
Beer (bottled), per barrel of 10 dozen pints or 6 dozen quarts.....	. 70 each.
Beer (bottled), per barrel of 8 dozen pints.....	. 56 each.
Beer (bottled), per barrel of 7 dozen pints or 4 dozen quarts.....	. 50 each.
Brooms (in bundles).....	. 35 per doz.
Barley in kegs of about 56 pounds each.....	. 25 each.
Cheese, per box 1 cubic foot.....	. 12 each.
Corn in 2-bushel bags.....	. 23 each.
Cement, per barrel of 400 pounds.....	. 40 each.
Coal (in bags).....	4. 00 per ton.

Fertilizers (in bags)-----	8. 50 per ton.
Fish, per 4-quintal cask-----	1. 20 each.
Fish, per 1-quintal cask-----	. 35 each.
Glucose, per barrel-----	1. 50 each.
Lumber, rough, per 1,000 feet (ship has option of putting on deck)-----	5. 50
Lumber, dressed, per 1,000 feet-----	6. 50
Lard and grease in kegs-----	. 30 each.
Lard and grease in tubs 50-60 pounds-----	. 28 each.
Lard and grease in pails 25-30 pounds-----	. 18 each.
Minimum, B-L-----	8. 00
Oats, per 5-bushel bag, 160 pounds-----	. 35 each.
Oilmeal, per bag of 125 pounds-----	. 30 each.
Oilmeal, per bag of 100 pounds-----	. 25 each.
Oil spirits and vinegar, per barrel-----	1. 00 each.
Oil (except kerosene) in cases-----	. 12 per foot.
Oil (kerosene) in 10-gallon cases-----	. 20 each.
Peanuts, per 100-pound bag-----	. 50 each.
Poultry (live) in crates-----	. 12 per foot.
Provisions, in tierces-----	. 80 each.
Slates, per 1,000-----	8. 00
Shooks and staves (in bundles)-----	. 09 per foot.
Specie-----	$\frac{1}{2}$ %.
Valuables and jewelry (minimum \$1 per package)-----	1%.

5 per cent collection on all freight not prepaid.

The CHAIRMAN. I suppose these tariffs are made and modified from time to time?

Mr. GOTTHEIL. They have to be modified from time to time because of the very large indirect competition. I should like to say here, Mr. Chairman, if I am permitted to do so, that when the service was first established a few years ago there was practically no business worth mentioning between this country and India, because it was all dependent on indirect shipments, and the rates were impossible because, naturally, the joint rates had to be made by adding to the European rate the trans-Atlantic rate from port of shipment to port of transshipment on the other side. So that when the business was first started it was only possible, and could not have been attempted otherwise—provided we secured a certain specific contract for each steamer or each month of a large quantity of case oil to India. So much so that in the beginning the greater part of the ship was taken up with case oil. It was elastic, and went so far that we could take a maximum or a minimum, and in that way we were enabled to work up quite a considerable direct business, because we had made it a rule to give the rates current from Europe, and thereby place our manufacturers and our exporters on the identical basis on which the English and German manufacturers who had had a practical control of the trade were able to work?

Mr. HARDY. What do you mean by case oil?

Mr. GOTTHEIL. Petroleum, oil in cases.

Mr. POST. Where do you get those consignments—from whom?

Mr. GOTTHEIL. The Standard Oil Co. ships it.

Mr. HARDY. That was the basis of your first export service?

Mr. GOTTHEIL. That was the basis of starting the service, and it is the basis to-day. If the Standard Oil Co. for some reason or other should be unable to ship the case oil the line would have to stop.

Mr. HARDY. They are still the greatest of your exporters—the main body of the export comes from them?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. That is, to the East Indies?

Mr. GOTTHEIL. East Indies; yes, sir.

Mr. HARDY. Does that enable you to carry other goods, having that as a basis?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. So that now you carry anything that is for export from this country to India on practically the same rates that they get from Europe?

Mr. GOTTHEIL. Yes, sir; of course we have many difficulties yet.

Mr. HARDY. But how long have you been running that line and giving the same freight terms?

Mr. GOTTHEIL. I should say about 10 years.

Mr. HARDY. How many sailings a month do you have from New York to the East Indies?

Mr. GOTTHEIL. That varies a little bit because sometimes the Standard Oil Co. wishes to make extra shipments, or wishes to curtail shipments.

The CHAIRMAN. I will say this, that we have the tariffs between the United States and India in the indirect trade now, from Baltimore, New York, Boston, and all those ports.

Mr. GOTTHEIL. The indirect trade?

The CHAIRMAN. In the indirect trade, yes.

Mr. GOTTHEIL. They are all in the indirect trade.

The CHAIRMAN. I say we have those tariffs now. We obtained them some time ago, so that it is now a question of comparison.

Mr. HARDY. You were just about to give the number of sailings that you have from New York in the direct trade.

Mr. GOTTHEIL. Yes, sir; our present schedule shows for Port Said, Hodeidah, Aden, Bombay and Calcutta, the steamship *Argenfels*, to sail about January 25; then for Port Said, Bombay, Tellicherry, Calicut, Cochin and Calcutta, the steamship *Schildturm* to sail about January 30; and for Port Said, Bombay and Calcutta the steamship *Pagenturn* to sail about February 15.

This will show you that we must sail to the different ports to meet the requirements of the Standard Oil Co. for the delivery of their oil petroleum in cases at the various ports, and it is always the aim to include as far as possible Calcutta always, and Bombay in some of the services.

Mr. HARDY. Is New York the only port in the United States that has a direct line running to East India?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. These other ports either have to ship to New York or by way of Europe?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Have you any passenger service?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. You say this is a direct line. Are there any conferences between you and the representatives of these lines engaged in the direct trade and those engaged in the indirect trade?

Mr. GOTTHEIL. There is no conference or agreement that I know of between the direct services and the indirect services.

The CHAIRMAN. Do you get together? How do you adjust the rates between you?

Mr. GOTTHEIL. We find it out in the market. We do not come together.

The CHAIRMAN. You do not come together?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. And hence there is no working agreement between you?

Mr. GOTTHEIL. None.

The CHAIRMAN. The rates are not made jointly?

Mr. GOTTHEIL. No, sir.

Mr. HARDY. And they are not in fact the same?

Mr. GOTTHEIL. No, sir; the position of the direct service by reason of the many ports of call that have to be made is a difficult one. The principal ports in India, and where most of the cargo is shipped to, are of course Bombay and Calcutta. And as you will have seen from the number of ports that we go to before we reach either one of these two important places we are a long time on the route, and we can not always make the delivery that is desired, and certain classes of goods we can not get at all, and in other classes of goods, in order to get them, we must make concessions.

Mr. HARDY. Your direct route gives a cheaper rate of freight than this indirect route?

Mr. GOTTHEIL. Generally speaking, I should say so.

Mr. HARDY. And in fact while you call yours direct and the other indirect, the indirect is the quicker communication?

Mr. GOTTHEIL. Well, I would not like to say so in all cases.

Mr. HARDY. You say you do not get some classes of goods because of the difficulty of your delivery?

Mr. GOTTHEIL. If you can afford to pay a very high rate of freight which will enable you to send the cargo by the very fast ship across the Atlantic, and again by the very fast ship from Europe to India, if you can afford to pay that freight it certainly beats us.

Mr. HARDY. How much faster is your direct route from New York to India than this indirect route going by way of Europe?

Mr. GOTTHEIL. So far as distance is concerned, I should say that there is practically no difference.

Mr. HARDY. Going from Europe by way of the Suez is about the same distance you have to travel across the Pacific?

Mr. GOTTHEIL. They have to go farther north, and they have got the shorter latitude. There is practically no difference.

The CHAIRMAN. Is there a difference growing out of the Suez Canal tolls making that a more expensive route from Europe than here?

Mr. GOTTHEIL. We go by the Suez Canal.

The CHAIRMAN. You are also engaged in the trade with Java?

Mr. GOTTHEIL. We have a service to Java.

The CHAIRMAN. These same companies?

Mr. GOTTHEIL. Not exactly.

The CHAIRMAN. Tell me what companies have a service to Java.

Mr. GOTTHEIL. The service to Java is a joint arrangement between the Hansa Line and the German-Australian Steamship Co.

The CHAIRMAN. You are agents of both?

Mr. GOTTHEIL. Of both.

The CHAIRMAN. Are they both German companies?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. They are different corporations, however, owning different lines of ships?

Mr. GOTTHEIL. Entirely different; entirely separate.

The CHAIRMAN. Both engaged in the same trade. Have you a written agreement between them in this trade?

Mr. GOTTHEIL. I believe not.

The CHAIRMAN. You are working in accord?

Mr. GOTTHEIL. If you will permit me to explain, as I understand the situation—

The CHAIRMAN. Very well; we will be very glad to have you do that.

Mr. GOTTHEIL (continuing). There is merely an understanding between those two companies by which they will furnish steamers, each in turn, for the service. The explanation might be made here that when we started in this Java service it was commenced with the Hansa Line, and the German-Australian Co. was taken along because they practically go in that direction from Europe. There is rather more or less jealousy between the ports of Hamburg and Bremen. The Hansa Co. being domiciled at Bremen, we felt sure that unless the Hamburg interests were conciliated in some form or other there would be trouble, and hence we brought the two together. My senior partner, I might mention, who lives in Hamburg, is the chairman of the board of the German-Australian Line, and that made the arrangement one of a very friendly and close nature, and no agreements, I believe, exist.

The CHAIRMAN. But there is perfect harmony?

Mr. GOTTHEIL. It is one service, Mr. Chairman.

The CHAIRMAN. They have the same rates?

Mr. GOTTHEIL. Yes, sir. I should like to explain that, Mr. Chairman, if I may.

The CHAIRMAN. Yes.

Mr. GOTTHEIL. The Java business was started only a very short time ago. The imports to Java are very largely controlled by Dutch firms. It is a Dutch possession, and the financial centers are of course in Holland; and they control the larger part of the business, such as it is. With the exception of pipes for oil wells for Sumatra, and Borneo, there really is very little traffic from this country to Java, and it has always gone via Rotterdam—or a large part of it goes via Rotterdam. The business therefore was only possible and could never have been entered into but, again, for a contract with the Standard Oil Co. to furnish a certain quantity of case oil—practically a whole cargo—with again some latitude as to minimum and maximum, so as to enable us to work up a general cargo trade. And I will candidly confess it has been a very, very disappointing sort of business.

Mr. HARDY. To go by Rotterdam you would have to go considerably out to the right to go to Java, would you not?

Mr. GOTTHEIL. No; because we can go through the Suez Canal, you know.

Mr. HARDY. But you have got to come up here and come back [indicating on map]?

Mr. GOTTHEIL. That is not so dreadful. Of course, it makes some difference, but not very much. The time is much less because of the quicker boats.

Mr. HARDY. They have quicker boats, and you think the time more than balances?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. Is the Hansa Line in any way connected with the Hamburg-American?

Mr. GOTTHEIL. Not at all.

The CHAIRMAN. Is there any joint ownership?

Mr. GOTTHEIL. No, no; not at all. I know they have an agreement—an understanding of some sort concerning a certain part of the service from Europe; that is to say, the Hamburg-American Co. has a few sailings in the Hansa Line service, from Europe to India, and in exchange for that the Hansa Line has a few sailings in the Hamburg-American service from Europe to the Far East.

The CHAIRMAN. Are there any contracts in the trade with India and Java, did you say?

Mr. GOTTHEIL. What contracts, sir?

The CHAIRMAN. Between your companies regarding the trade. Have you any contracts with shippers?

Mr. GOTTHEIL. For Java we have a large contract with the Standard Oil Co., already mentioned. We have a sort of an agreement with the Oil Wells Supply Co. and the Steel Co.

The CHAIRMAN. Have you copies of those contracts?

Mr. GOTTHEIL. I was not asked to bring any contracts at all, Mr. Chairman, in my subpoena; otherwise I would have done so.

The CHAIRMAN. Could you furnish them?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Will you do so?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Make a note of it, if you please, and furnish them to the committee.

Mr. GOTTHEIL. Yes, sir. I would like to make a statement here, Mr. Chairman. Of course, the contract with the Standard Oil Co. is a contract that provides for a certain quantity of case oil. Now, that is purely and absolutely competitive business, with the open tramp tonnage. Of course, if your committee rules that I must submit that with rates I will, of course, cheerfully obey; but I do not think that I should be asked in this particular instance to let the whole world know, for instance, that our rate to Java is 30 cents, or our rate to Java is 10 cents. I am trying to work up a regular trade and I do not think the rate would help you here, but I will give the committee any information it desires.

The CHAIRMAN. We will take that up with you later and determine definitely about it.

Mr. HARDY. Would you give any other shipper the same rates under the same kind of a contract?

Mr. GOTTHEIL. There is no other shipper of case oil.

Mr. HARDY. But suppose there should be. I had in mind a company that might possibly enter into competition. Take the Texas Co. They produce a great deal of oil.

Mr. GOTTHEIL. If they gave the same quantities; yes.

Mr. HARDY. In other words, you would give the same contract to them that the other people have?

Mr. GOTTHEIL. Yes; if they gave the same quantity they could get it on the same basis.

The CHAIRMAN. You also engage in the trade with Christiania and Copenhagen?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What lines are engaged in that trade from New York?

Mr. GOTTHEIL. The Scandinavian-American Line is the only line running to Christiania and Copenhagen at present.

The CHAIRMAN. Is that one company or is that a trade name, too, and embraces several?

Mr. GOTTHEIL. It is a trade name for one company. I will be glad to give you the name.

The CHAIRMAN. Is there any other company or any other line trading between ports of the United States to Christiania and Copenhagen?

Mr. GOTTHEIL. Yes, sir. There is a line known as the Norway-Mexico-Gulf Steamship Co. that carries cargo to Virginia and then goes down to Galveston and loads back from Galveston. They do not take any cargo from the northern ports to either Norway or Denmark.

The CHAIRMAN. Is there any understanding or agreement between your line and that line that it shall not take cargoes from the same ports or to the same ports?

Mr. GOTTHEIL. There is the greatest possible lack of understanding between those two concerns. In other words, they are in strict competition.

The CHAIRMAN. You say they do not go from New York to Christiania or Copenhagen?

Mr. GOTTHEIL. No; but they take cargo from the Baltic ports to Newport News, and this Scandinavian-American Line has also a service to Newport News, Philadelphia, Baltimore, and Boston; so that on the westbound traffic these two companies compete.

The CHAIRMAN. How about the eastbound traffic?

Mr. GOTTHEIL. They do not compete at all, because the Norway-Mexico-Gulf Line loads from Galveston entirely back to the Baltic.

Mr. HARDY. On your westbound trade, do you compete in rates or do you have the same rates?

Mr. GOTTHEIL. No; we compete in rates.

Mr. HARDY. There is no agreement as to rates?

Mr. GOTTHEIL. No, no.

The CHAIRMAN. Have you any agreement or understanding with any other companies engaged in this trade that you shall have the exclusive traffic from New York?

Mr. GOTTHEIL. There is an agreement between this company and the Hamburg-American Line, the North German Lloyd, and the Wilson Line concerning the traffic to Baltic ports.

The CHAIRMAN. Just state what that is. Is it in writing?

Mr. GOTTHEIL. It is in writing, but I do not have it here.

The CHAIRMAN. State, from your best information, what that agreement is.

Mr. GOTTHEIL. The agreement is to hold for certain rates and divide up the traffic that is secured by these four companies among ourselves. Of course, there is a great deal of other competition by

indirect routes, outside of these companies named. It is only so far as the traffic goes which they themselves should secure, and the rates are always made with regard to this indirect competition, which is via Liverpool, via London, via Glasgow, and other ports.

The CHAIRMAN. As between yourselves, you make the same rates, or do they pool?

Mr. GOTTHEIL. No; we do not always make the same rates. They sometimes vary in rates for this reason, that one might get more than its percentage; so that if a company should be behind with its percentage, the rate is put down until the full percentage is secured.

Mr. HARDY. Is it that way or is it the other? If one is ahead with its percentage, is the rate put up?

Mr. GOTTHEIL. Sometimes it is that, too; but as a rule it is put down.

Mr. HARDY. As a rule, the company which is behind puts the rate down, rather than the company which is ahead puts the rate up?

Mr. GOTTHEIL. Yes; so as to force the flow of traffic.

Mr. HARDY. The purpose of that is to make a pool?

Mr. GOTTHEIL. That is the purpose, that each company should just about carry the percentage agreed upon. They never like to pay out money.

The CHAIRMAN. That understanding applies not only to eastbound but westbound trade, from the Baltic ports, does it not, in freights?

Mr. GOTTHEIL. Yes. A similar understanding applies to west-bound business.

Mr. HARDY. You used an expression that they "never like to pay out money." From that expression I gather if you can not equalize by arrangements you do equalize by mutual division?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Have you that agreement in your possession?

Mr. GOTTHEIL. I have not, sir.

The CHAIRMAN. Have you a copy of it?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. Could you get it for us?

Mr. GOTTHEIL. I will try to.

The CHAIRMAN. We will be very glad to have it, and feel quite sure on account of your very close relations with the principals, that if you bring the proper influence to bear you can get it.

Is there any conference in New York between these lines that are in the Baltic pool?

Mr. GOTTHEIL. No; there is not a conference. They meet every day on 'Change. They are all more or less good friends, and they come together perhaps in one of the offices or the other, but nothing fixed at all. When they think it is necessary to discuss a matter, they do so.

The CHAIRMAN. You discuss the rates when you get together?

Mr. GOTTHEIL. We discuss the rates, yes.

The CHAIRMAN. And where are the transactions with reference to the pool kept; and if there is any accounting made by one line to the other of payments, where is that kept?

Mr. GOTTHEIL. It is on the other side, but I can not tell you where it is. I would rather believe it is done in Hamburg.

The CHAIRMAN. State whether or not it is at Jena.

Mr. GOTTHEIL. I do not think so. I do not know, but I do not think so.

The CHAIRMAN. There is a conference there, is there not, of which Mr. Peters is the secretary?

Mr. GOTTHEIL. I believe that refers very largely to passenger business.

The CHAIRMAN. I do not know.

Mr. GOTTHEIL. Perhaps westward-bound business, I do not know.

The CHAIRMAN. Of course, I do not think there is any doubt about a pool of passenger business, and I am very rapidly coming to the opinion that it applies equally to freight business.

Mr. GOTTHEIL. I have not the information, Mr. Chairman. I have my doubts whether that comes under—whether that particular arrangement is taken care of by Mr. Peters. It is not important and I would tell you if I knew.

The CHAIRMAN. I believe you are also agent for a line engaged in the trade between New York and Rotterdam?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What other companies are engaged in that trade—what companies do you represent in that trade?

Mr. GOTTHEIL. The Holland-American Line.

The CHAIRMAN. What other companies are engaged in that trade?

Mr. GOTTHEIL. The Uranium Steamship Co. runs regularly from New York to Rotterdam.

The CHAIRMAN. Any other?

Mr. GOTTHEIL. No regular service. The Russian East Asiatic Steamship Co. once in a while goes in there, but very irregularly.

The CHAIRMAN. Does the Hamburg Line run there?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. What is the arrangement between your company and the others in that trade, both as to eastbound and westbound freight, briefly?

Mr. GOTTHEIL. There is no arrangement whatsoever between the Holland-American Line or the Uranium Steamship Co., either eastbound or westbound, to the best of my knowledge, and I feel certain that it does not exist.

The CHAIRMAN. You mean you are in open competition?

Mr. GOTTHEIL. Absolutely.

The CHAIRMAN. Well, you both conform to the same rates?

Mr. GOTTHEIL. No, sir; they could not get our rates if they tried.

The CHAIRMAN. Why?

Mr. GOTTHEIL. Because our ships are far superior.

The CHAIRMAN. How is that?

Mr. GOTTHEIL. Our ships are far superior in quality and in speed.

The CHAIRMAN. You mean you give so much better service?

Mr. GOTTHEIL. Much better; more regular, more frequent, and of course, I am sure, it costs less insurance. All our boats are twin-screw boats, constructed by the very best builders in the world, Harland & Wolf. They can not touch us.

The CHAIRMAN. And for that reason they are no menace to you in that trade?

Mr. GOTTHEIL. They are. It is all within a very certain limited range. It might be half a cent a hundred pounds, but we can not go beyond it. The European trade, Mr. Chairman, if I may state

here, is entirely different from the trade we have discussed, and it is generally known among us as the long-voyage trade. That is to say, the ships that go to Australia, Asia, India, and China—that is the long-voyage trade. The moment you touch the trans-Atlantic trade you reach an entirely different proposition. There you have the biggest competitive trade in the world. The large proportion of our trade is grain. That is absolutely competitive. Flour the same way; oil the same way; and provisions practically so. Those are four commodities that are all the time in strict competition with the other agricultural countries like ours that are selling in the European markets. When it comes to the higher class of goods, of course, there is a similar condition, but it is competition in the fullest sense of the word.

The CHAIRMAN. Do you mean to say that there is no joint traffic agreement between the various ship lines engaged in the north Atlantic trade by which rates are maintained or regulated, but open, and by which what you are pleased to term “destructive competition” is eliminated?

Mr. GOTTHEIL. I do not know, Mr. Chairman, what is done exactly with the traffic to the Mediterranean, because my firm is not engaged in that particular direction. As there seems to be a widespread opinion or suspicion that the whole of the European traffic is controlled by a set of agreements or understandings (always speaking east bound), I will enumerate the different ports and explain the situation as far as I can give it. There is no understanding, to the best of my knowledge, in the trade from New York to London, for the simple reason that there is no other service excepting the Atlantic Transport Line Co., owned by the International Mercantile Marine.

The CHAIRMAN. Right there, I would like, for the record, to have you state what companies are owned and controlled by the International Mercantile Marine. That is an American corporation?

Mr. GOTTHEIL. Yes. The International Mercantile Marine owns and controls the International Navigation Co., known as the American Line; the Oceanic Steamship Co., known as the White Star Line.

Mr. BURLINGHAM. The International Steam Navigation Co.

Mr. GOTTHEIL. Is it the Steam Navigation Co.?

Mr. BURLINGHAM. Yes; the International Steam Navigation Co.

Mr. GOTTHEIL. Well, the International Steam Navigation Co., the Leyland Line, the Atlantic Transport Line Co., the National Steamship Co., and the Mississippi & Dominion Steamship Co. The International Steam Navigation Co. also owns the Red Star Line.

Mr. HARDY. You say that is an American corporation?

Mr. GOTTHEIL. The International Mercantile Marine is an American corporation.

Mr. HARDY. It is really a consolidation of all these companies?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Are these consolidated companies under the control of this American corporation, American companies, or what are they?

Mr. GOTTHEIL. No; they are foreign companies, except the International Steam Navigation Co., which is an American company.

Mr. HARDY. Do the stockholders in this American company, which is a consolidation of all these companies—are they made up of the stockholders of these consolidated companies?

Mr. GOTTHEIL. No, sir; not entirely.

Mr. BURLINGHAM. It is a holding company.

Mr. GOTTHEIL. Yes. In other words, the International Mercantile Marine is a holding company, managed by trustees.

Mr. HARDY. That holds the other companies for the mutual benefit and adjustment of their several interests?

Mr. GOTTHEIL. Of the whole, yes. They hold the shares of the other companies. The International Mercantile Marine Co., have, of-course, issued bonds and shares.

Mr. HARDY. And those shares and bonds are held all over the world, are they?

Mr. GOTTHEIL. They are held very largely here.

Mr. HARDY. Very largely in America?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Is the majority of it held here, do you think?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Does that dominate the trade from Europe and from London, as well as to London from this country?

Mr. GOTTHEIL. Yes, sir; shall I go on?

The CHAIRMAN. Is there any agreement between the Hamburg-American Line and the Holland-American Line by which the Holland-American Line is to have exclusive trade as between them with ports, particularly the port of Rotterdam?

Mr. GOTTHEIL. I know of no such agreement.

Mr. HARDY. How does it happen that you have that kind of mutual competition in that trade? Because you have the finer boats?

Mr. GOTTHEIL. That we have the competition?

Mr. HARDY. Yes.

Mr. GOTTHEIL. You mean the Uranium Steamship Co.?

Mr. HARDY. Yes. I understood you to say, with reference to the Holland trade, that you had two companies there which had no rate agreement.

Mr. GOTTHEIL. I said as far as the Uranium Steamship Co. was concerned there is no rate agreement. The other company only goes sporadically, you know.

Mr. HARDY. They are not important enough to make an agreement here?

Mr. GOTTHEIL. They have some understanding.

Mr. HARDY. Oh, they have some understanding?

Mr. GOTTHEIL. Yes.

Mr. HARDY. What sort of an understanding?

Mr. GOTTHEIL. Well, they have an understanding by which—of course, the Russian East Asiatic Steamship Co. is practically and simply intended to run to Russian ports, and they do run to Russian ports; but every once in a while, when a cargo is lacking, they are obliged to call elsewhere, and they have selected Rotterdam as the port; and as they only come in sporadically, rather than have a fight with the existing service that has been established for the last 40 years, that has built up its business second to none in Europe, the Russian East Asiatic has made a rate agreement or understanding by which the rates are maintained by this company whenever they find it necessary to go into the port of Rotterdam to compete there.

Mr. HARDY. In other words, you have a tentative agreeable arrangement between you?

Mr. GOTTHEIL. Yes, sir.

Dr. HUEBNER. In the N. D. L. V. passenger agreement, or the Nordatlantischer Dampfer-Linien Verband agreement, to which contract the Hamburg-American Line, the Holland-American Line, the North German Lloyd, and the Red Star Line were the signatories, there also appears a trade agreement which is found in articles 31 and 32. Article 31 provides as follows:

All the lines—

That is, the signatories I have just mentioned—

* * * bind themselves that their vessels in the trade in the United States of North America and Canada shall not call either outward or inward at any home or adjacent port from or to which the vessels of any of the other lines are already sailing.

In case this article should be contravened, the line whose port is being improperly called at is entitled to withdraw from this present contract, and article 27 will be applied against the line thus infringing the aforesaid stipulations, inasmuch as an improper calling at the port will be considered as an action which renders this present contract impossible and is, therefore, equivalent to the withdrawal from the same.

This last part applies to the passenger trade.

Then, article 31 also provides:

By the words "in the trade" it is understood among the continental lines: Passenger, mail, and freight—

And it would seem from this that the German lines and the Dutch line and also the Red Star Line have formed an agreement, a trade agreement, involving not only Europe but all of North America, including Canada, both as regards the outward and the inward traffic. Now, I would like to know if you have any evidence to show that this section of the N. D. L. V. agreement is still in force, or is not in force.

Mr. GOTTHEIL. I have first to state that, of course, I did not know of its existence. I have never seen the agreement, and as freight agent I would not be likely to be informed; so, as I did not know that it ever existed, I am not really in a position to tell you whether it has been abrogated. I do not know.

Mr. HARDY. Do you live according to the terms of that agreement?

Mr. GOTTHEIL. It is very easy to state that none of those companies, each of which has its fixed ports of destination on the other side—the Holland-American Line is there to develop Rotterdam; it would not dream, it could not afford to go with its boats, anyhow; the schedule would not permit it—they have all they can do to handle their own business. The same applies to the Red Star Line at Antwerp, and the same applies to the Hamburg-American Line at Hamburg, but that does not do away with the fact that there is considerable competition between those very companies, although they limit themselves to certain ports of discharge. I can assure you, for instance, the Holland-American Line finds very strong competition sometimes in the case of the Hamburg-American Line, because, after all is said and done, the port of Rotterdam does not anywhere approachingly consume the amount of cargo that is—I mean Holland does not consume the amount of cargo that is shipped to Rotterdam; it is the transshipped cargo on which the port of Rotterdam has to

depend—the cargo goes down the Rhine and reaches as far as Switzerland. That is the cargo the Holland-American Line, or port of Rotterdam, must depend upon, and you can not tell, you know, what may be done through the port of Hamburg, what rates may be made inland by the railroads. They have developed another port called Emden, and there is the question of inland transportation, and it is very largely a matter of reaching the final destination of certain goods, so that what applies to Rotterdam and Hamburg applies very largely with the same force to Antwerp and to Bremen.

Mr. HARDY. In other words, as to whether you can get to the point of final destination by shipping through Amsterdam or southern ports?

Mr. GOTTHEIL. Yes; and very often there is strong competition. Just to give you an example, we have had by Rotterdam very largely—a great proportion, at least, of the copper that has been going into the Rhine district, especially into the Rhine district and around there, where a good deal of copper business is done, and Hamburg has been after this business for some little time and has got to be watched, so while they have an agreement not to trade on each other's territory so far as the ports are concerned, there is nevertheless the strongest competition between those four companies for all cargo from the United States to their respective ports of discharge.

Dr. HUEBNER. I may add that from evidence which we have, the agreement I have just read did exist up to December 31, 1909. Consequently it is quite recent. Now as regards the passenger pool, there are a very large number of contracts between the various steamship lines. We have considerable evidence which leads us to believe that the situation has been duplicated in the freight business in the same manner as we know it exists in the passenger business, consequently in another agreement to which I wish to call your attention, namely, agreement "G," as it is called—that passenger agreement was made between the N. D. L. V. and the French line. It commenced January, 1903, and continued thereafter from six months to six months, and judging from letters this agreement was in existence on January 29, 1909. Now in that agreement "G" there is also incorporated a freight agreement, namely, Article X. You will understand this agreement is made between the N. D. L. V. and the French line, and Article XI provides—

That the port of Havre is especially reserved both for freight and passenger business by direct line to and from the United States to the French line.

It also provides—

all other French and Atlantic channel ports, with the exception of Cherbourg and Bologne, will also be reserved to the French line.

That would seem to indicate that there has been a division of ports arranged for by agreement between the N. D. L. V. and the French line. Do you happen to know whether that is actually a fact?

Mr. GOTTHEIL. No; I do not know. I should like to state here that I know probably less about the passenger business than you do.

Dr. HUEBNER. But this is freight business.

Mr. GOTTHEIL. As far as the French line is concerned, of course they will have to speak for themselves; I do not know. I wish to state most positively that to my own knowledge there is not and

there can not be any agreement between these companies governing the shipments from the United States.

Dr. HUEBNER. But there can be an agreement as regards parceling out the ports, can there not?

Mr. GOTTHEIL. I have no doubt that is right.

Dr. HUEBNER. Both as regards the traffic to and from New York?

Mr. GOTTHEIL. That, I dare say, is the case.

Dr. HUEBNER. Or all of North America?

Mr. GOTTHEIL. That may be; that is quite proper.

Dr. HUEBNER. I will also call your attention to another agreement, entitled agreement "M." The agreement deals chiefly with the passenger traffic, and the agreement was made again between the N. D. L. V. and the Austro-Americana Line, and this agreement we also know was in existence as late as December 31, 1909, and is continued from year to year. Now, within this passenger agreement there is another freight agreement:

As regards dividing the territory to the effect that the parties agree that the Austro-Americana endeavors to secure its business out of Austria. The Austro-Americana pledges itself to establish no freight or passenger business of any kind between Bordeaux or port north of Bordeaux and North America or Canada, or to have any interest, direct or indirect, in such service. Such sailings or freight only will be allowed provided they do not enter into competition with the N. D. L. V. lines.

The CHAIRMAN. State right there what those are.

Mr. GOTTHEIL. They have been enumerated.

The CHAIRMAN. In this connection can you give them, Mr. Gottheil?

Dr. HUEBNER. The North German Lloyd, the Hamburg-American, the Holland-American, and the Red Star lines were the signatories to that agreement. Now, this agreement also provides that—

the N. D. L. V. lines declare to have no intention of establishing lines from the Adriatic to North America or Canada. Should the N. D. L. V. lines on account of an existing or a competition about to arise be compelled to establish such a line, the Austro-Americana shall have the right to consider this agreement of no force so long as such a line is continued.

Now, of course, all of these agreements seem to have been arranged in Germany, just as the passenger agreements are, and Mr. Peters, of course, is the secretary of all of them. That agreement also would indicate a parceling out of the European ports between these big North Atlantic lines.

Mr. GOTTHEIL. It seems to indicate merely that wherever a line had been established and furnished a sufficient and responsible service, that between those different concerns it is recognized that that is their port, and that the other would not interfere, but of course I have no knowledge; I have never seen those agreements, and of course that does not interest me.

Dr. HUEBNER. Among these passenger agreements, which are now quite generally known, there is another very important agreement called "The Mediterranean Steerage Traffic Agreement," which was to run from February 8, 1909, to January 13, 1911, and to continue thereafter from year to year. The committee has received a Mediterranean tariff agreement, and a careful reading shows that this agreement also is modeled very closely after the steerage agreement. This Mediterranean tariff agreement of December 15, 1911, governs the

westward traffic for practically the whole of Italy, and is followed by the six Italian lines, also the Anchor Line, the Hamburg-American Line, the North German Lloyd Line, the White Star Line, the Cunard Line, and the Austro-Americana, and this freight agreement provides, in Article I, "That the object of the agreement is declared to be the assurance to each group of lines," that is, the Italian lines and the others, "a certain proportion of the freight in cargo loaded at all ports of Italy and Sicily to all ports in the United States of America and Canada."

Article II constitutes a pooling agreement, each group of lines to get 50 per cent of the traffic. It seems the rate is definitely fixed in Article IV, and to be brief, I wish to call your attention to the fact that this agreement also provides—

a deferred rebate, not exceeding 10 per cent of the freight, may be granted to shippers who support the lines, parties to this agreement, and who do not give any cargo to any other competing liner steamer at any time.

Judging from these facts, the committee has a very strong impression that Europe has been parceled among the North Atlantic lines for purposes of regulating the freight traffic. We want to know if you have any facts that have come under your observation which would indicate that our impression is correct?

MR. GOTTHEIL. I have not any doubt from what I have heard that there is an agreement between the four lines mentioned, namely, the Hamburg-American, the North German Lloyd, the Red Star Line, and the Holland-American Line, by which they regulate the west-bound traffic. I have not heard anything about the Mediterranean traffic, but, of course, your agreement there recites the facts.

DR. HUEBNER. I also wish to point out, with the consent of the chairman of the committee, that this agreement is dated January 8, 1912, Jena, Germany, and Mr. H. Peters, in Jena, who is secretary for all of these passenger agreements, is also appointed here as the general secretary.

MR. GOTTHEIL. He ought to be called the universal secretary.

The hearing thereupon adjourned until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened pursuant to the taking of recess.

TESTIMONY OF MR. PAUL GOTTHEIL—Continued.

THE CHAIRMAN. We have not questioned you yet, as I recall, with reference to freight traffic from our ports to the United Kingdom and the conditions that exist in that trade as to agreements between the different lines.

MR. GOTTHEIL. My firm does not represent any services from New York to any port in the United Kingdom, and I have, therefore, no actual knowledge of what the conditions are.

THE CHAIRMAN. You say you do not know whether there is any agreement between the lines you represent and those lines going to the United Kingdom, with reference to a division of territory or ports?

MR. GOTTHEIL. None, so far as I know.

The CHAIRMAN. You know the conditions that exist?

Mr. GOTTHEIL. I do not; no.

The CHAIRMAN. Is there any agreement between 'the lines you represent and other lines as to what ports in Europe your lines shall go and to what ports in Europe the other lines shall go? I understood from your statement this morning that—take the Hamburg lines—they go to Hamburg; the Holland-American to ports in Holland, and the North German Lloyd to Bremen. Now, is that pursuant to any agreement between them that each shall not go to the other's ports—invalidate the other's territory?

Mr. GOTTHEIL. Yes. There is no mutual agreement, so far as I know, beyond what was read here from this general agreement between those different lines.

The CHAIRMAN. The N. D. L. V. lines?

Mr. GOTTHEIL. Yes. Of course there is—I wish to state, I wish to explain the development, if you will permit me, of these different ports. From each of these ports there have been several services at one time and another. Many years ago, from Hamburg, there was an opposition service started, which was known as the Eagle Line. Later on there was another service started which was known as the Union Line. The Eagle Line, after operating for some time, went out of existence. The ships were bought up by the Hamburg-American Line. The Union Line was practically, under an agreement, acquired later by the Hamburg-American Line. I do not recall that there was any opposition from Bremen against the North German Lloyd. As far as Antwerp is concerned there was at one time a service known as the White Cross Line, for which my firm were agents, which ran in opposition for quite a while to the Red Star Line, but the service was so unprofitable that the service was withdrawn, and the ships were sold. As far as Rotterdam is concerned, I do not recall—yes, there have been opposition services, which were running for a while, and then disappeared, because the business was not profitable. And the result of all this development has been that these large companies have provided the trade with an increasingly efficient service. They have continually improved their fleet, and they helped the trade to develop the facilities of the port, with the result that they are the best services to the Continent, and, as such, respect each other's ports.

The CHAIRMAN. I would like to know about the rate from our ports, New York for instance, to Hamburg, Bremen, Antwerp, and Rotterdam, on the same commodity. Is there any difference in it or not?

Mr. GOTTHEIL. Oh, yes; they each make their own rate, whatever they think the commodity will stand, their interest being to develop their particular trade as far as they possibly can, and attract cargo to that port.

The CHAIRMAN. So that there are uniform rates from our ports, say, New York, to all these different European ports?

Mr. GOTTHEIL. No, sir; there are not.

The CHAIRMAN. You could not ship a cargo of flour from New York to Hamburg, Bremen, or one of those other ports at the same rate?

Mr. GOTTHEIL. No, sir; the rates vary according to the condition of the business.

The CHAIRMAN. But, there being no competition between those different lines to and from these different ports, of course each line controls absolutely the rate?

Mr. GOTTHEIL. So far as the market will permit.

The CHAIRMAN. That is what I say. They do not want to make the rate so high that the commodity will not move.

Mr. GOTTHEIL. No. As I stated this morning, the ports merely permit the movement of the cargo destined to interior points, at which interior points all those four ports more or less compete. And, to repeat what I said this morning, Rotterdam has, through its water navigation to the Rhine country, a decided advantage over the other ports, where the cargo is moved more or less by railway. At the same time, there are points where, of course, different ports would meet and compete, and there is, therefore, no limit. I mean, it is not an unlimited rate making, but it is rate making that is governed by the competitive conditions.

The CHAIRMAN. For instance, suppose a commodity be shipped from New York to Berlin. The rate would be the same by way of Bremen or Hamburg, would it not? Hamburg is a competitive point?

Mr. GOTTHEIL. Without speaking with definite knowledge, I should say Berlin would probably draw a lower inland rate through Hamburg than it would through Bremen, but I am not positive.

Mr. HARDY. Do you not think that in the matter of making rates it would be the same to Berlin whichever way it goes?

Mr. GOTTHEIL. No, sir; I think not.

The CHAIRMAN. We have the report from one of these so-called conference lines to this effect: The freight traffic from the United States is worked by the steamship lines in a manner very similar to that which the railroads in this country pursue regarding their traffic, and it is done by the representatives of the various lines interested in a similar business, meeting at times to discuss the minimum rates below which they will not quote, after which each line files with the secretary of the conference its respective minimum rates. Now, you have knowledge of the existence of that?

Mr. GOTTHEIL. I do not think this refers to the Continent.

The CHAIRMAN. Yes; I think it does. I will read further. It says: In addition to the agreements referred to in this report we understand there are certain agreements covering westbound freight traffic to the Continent to which the same particular services are parties, and also the United Kingdom and Italy. It says these are all made abroad and are handled there entirely. The rates are simply furnished to us by the offices abroad when desired by patrons.

Now, that does not seem to be confined to any one service, to the United Kingdom, Europe, or Australian ports.

Mr. GOTTHEIL. This now deals with westbound traffic?

The CHAIRMAN. Yes.

Mr. GOTTHEIL. That particular part of the report.

The CHAIRMAN. Then following that is the paragraph to which I have called your attention, that the freight traffic of the United States is worked by the steamship lines eastward in a manner similar to that which the railroads in this country pursue regarding their traffic.

Mr. GOTTHEIL. I think this again refers to the United Kingdom lines, because of the paragraph below, which specifically states—

the continental lines' agreement to which some of the lines in which they are interested are a party.

The CHAIRMAN. As I understand it is simply this: In the first place the Hamburg-American Line will not enter any of the other ports except their own, and so with the North German Lloyd; and then the different lines that go to ports of the United Kingdom meet in conference and agree upon rates to all competitive points.

Mr. GOTTHEIL. Westbound?

The CHAIRMAN. And eastbound as well.

Mr. GOTTHEIL. Eastbound. I venture to say, so far as our port is concerned, Rotterdam, it is not the case; and I do not believe it is the case eastbound, so far as the other three ports mentioned are concerned.

The CHAIRMAN. You think the freight traffic from the United States to those points is not worked by the steamship lines in a manner similar to that which the railroads of this country pursue regarding their traffic?

Mr. GOTTHEIL. That seems a very broad statement and should require some explanation.

The CHAIRMAN. Well, is it a fact?

Mr. GOTTHEIL. Well, in what manner do the railroads work those agreements?

The CHAIRMAN. I have a notion about it. It may be that I am right, or I may be wrong, but I know they have the same rates to all competitive points; and I have a notion that they meet, their traffic agents do, and agree. I do not think there is any doubt about that.

Mr. GOTTHEIL. I think, Mr. Chairman, that is quite correct. The rates are changed by the railroads with the Interstate Commerce Commission and they are changed practically at the same time and the rate change is the same on the part of all the railroads. I quite understand that, and if that is what you meant, then I wish to say it is not done to the Continent, and that report must then refer to the United Kingdom lines.

The CHAIRMAN. Have you any knowledge at all of conferences in the North Atlantic trade with the Continent?

Mr. GOTTHEIL. No, sir; we have only what we call a conference; what Mr. Hardy styled yesterday a school-teachers' agreement. That deals only with noncompetitive matters.

Mr. HARDY. Is it not a fact that as to important ports in your trade going eastward, you do not have any conferences because each of the ports are in the hands of one company—each one of the important ports?

Mr. GOTTHEIL. Practically so.

Mr. HARDY. For instance, London has not any, because it only has one line?

Mr. GOTTHEIL. Only one line; yes.

Mr. HARDY. And the same thing is true in the case of the others?

Mr. GOTTHEIL. The White Star Line and Cunard Line run to Liverpool, and they may have an agreement with the Glasgow lines,

because Liverpool and Glasgow are adjacent. No doubt they do have an agreement.

Mr. HARDY. Mr. Gottheil, substantially, there is an agreement as to all the important ports in the United States and Europe, is there not?

Mr. GOTTHEIL. There is no contention.

Mr. HARDY. Most of them only have one line?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Then, does the Red Star and White Star compete anywhere?

Mr. GOTTHEIL. The White Star goes to Liverpool, and it does not compete with the Red Star going to Antwerp.

Mr. HARDY. The Red Star does not go to Liverpool and the White Star does not go to Antwerp?

Mr. GOTTHEIL. No.

Mr. HARDY. Each of the important cities have practically only one line?

Mr. GOTTHEIL. They have practically only one line; practically, yes; and that is the evolution of years of fighting, until, through a survival of the fittest, they have remained in the trade.

Mr. HARDY. That is a process of evolution?

Mr. GOTTHEIL. A process of evolution. It is different with those in the long-voyage trade. It is almost impossible for a single company to furnish an efficient and adequate service in the long-voyage trade.

Mr. HARDY. But in the sporadic trade to the outlying little places one might go there without consulting the other?

Mr. GOTTHEIL. Yes.

Mr. HARDY. And, generally, Mr. Gottheil, you rather insist, where there might be competition, on scheduled sailing to the United Kingdom; rates and contracts for joint account of different interests; pooling of profits, deferred rebates, and also territorial division?

Mr. GOTTHEIL. Deferred rebates do not exist there.

Mr. HARDY. In this way—

Mr. GOTTHEIL. No.

Mr. HARDY. They don't exist in this way because they are illegal!

Mr. GOTTHEIL. Not exactly; I do not admit they are illegal.

Mr. HARDY. Of those five or six characteristics, where they do exist, which do you consider as essential?

Mr. GOTTHEIL. The essentials are the necessity of regular and adequate and sufficient sailings, which the trade requires.

Mr. HARDY. They require scheduled sailings?

Mr. GOTTHEIL. The trade requires definite sailings, and during an active season they must find additional steamers. The next essential is the fixing of rates, and perhaps the third question will be the question where there is—

Mr. HARDY. By fixing of rates you mean fixing uniform rates?

Mr. GOTTHEIL. Not uniformity of rates, but stability of rates. And the next important point is the establishment of some sort of an arrangement where there is more than one ownership.

Mr. HARDY. That is, a contract for joint accounting?

Mr. GOTTHEIL. By which they work together; and the fourth essential is to have a rebate system.

Mr. HARDY. Under all those circumstances is not the present tendency to centralize all the instruments of transportation, and to gradually make them more and more one vast concern?

Mr. GOTTHEIL. Only so far as certain sections are concerned. I do not admit at all the general impression which has been made, that the whole trade is worked as one unit, or even tends in that direction.

Mr. HARDY. It is not required that the trade from here, and from Asia, should be related to the trade to South America, perhaps, if there is no prolongation of one voyage to the other?

Mr. GOTTHEIL. No.

Mr. HARDY. But, wherever they trade, there is a unity?

Mr. GOTTHEIL. There is a unity.

Mr. HARDY. Between the shipping interests?

Mr. GOTTHEIL. Yes, whether it is under a foreign flag or under the American flag; it does not make any difference.

Mr. HARDY. And is it not a further fact that where there is unity, there is no competition; you use means to obstruct a real invader?

Mr. GOTTHEIL. We have not had any invasion of late.

Mr. HARDY. And you are not likely to have between here and London?

Mr. GOTTHEIL. No.

Mr. HARDY. Now that South America is gradually assuming a little importance, you are liable to run in and maintain now and then a little competition?

Mr. GOTTHEIL. It is quite possible.

Mr. HARDY. Like the Lloyd Brasileiro?

Mr. GOTTHEIL. Yes. The Lloyd Brasileiro stands rather separately, because it is a national line.

Mr. HARDY. It is a Government line?

Mr. GOTTHEIL. It is a national line and has a big subsidy from the Government, and of course subsidized lines are in a different category.

Mr. HARDY. Then there is another element, you do not want to run counter to the Government in any country, and they have too little there to divide with any outsider?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. In these five or six requisites, which do you consider the most necessary to the successful conduct of the business—scheduled sailings, rebates, or joint accounts?

Mr. GOTTHEIL. Well, Mr. Hardy, I will give you my view of that situation. You have heard, from the testimony given by the steamship people who have appeared before you so far, that there is practically an arrangement between the different companies in the different trades, and that these arrangements are governed either by an understanding, or go still further and are governed by a division of traffic or pooling agreement. Supposing we assume, for argument's sake, that in the suits now pending against two of the freight services the Government is successful in its contention, and that, let us say, in the suit against the China lines it is decided that the arrangement under which they are working is illegal and can not be pursued under the present laws of this country. Then we reach the position as to what will happen next, and my point is that the following is likely to happen:

Here are four companies giving the necessary service, the required service. They have mostly their own boats, and they must disband; they must no longer work together. Until this condition was reached, speaking from the very beginning of the development of that particular trade, there was competition between the lines to such an extent that money was lost very heavily by these different concerns, but with all of them there was the ulterior motive that they would get together and make an arrangement under which they would be able to profitably and successfully operate their services, their joint services. Now, you go ahead and tell these four concerns that they must absolutely stop this arrangement, because it is illegal. These four concerns will have to come together, and in my opinion the result will be that one of them, probably the strongest, will say to the rest, "Gentlemen, we can not work together. Now, I am going to fight you until you get out or, if you like, I am going to buy you out." If they fight, you can understand that it must be a case of the survival of the fittest, because there is nothing to be gained by continuing the fight; there is no end to it. There is no change that can be brought about in fighting, therefore, it would simply mean that in the end three of the four lines must go out. They must disappear, unless they do the other thing and sell out to the one man who says "I am willing to buy you out, and let's agree on the terms." The result can not be otherwise than that, in the end, there will be one service only that will be recognized as the big service running to far eastern points.

Now, I believe (although I do not wish this to be misunderstood) that in that group of services known as the long-voyage service, where owners are not situated as they are at Hamburg, Rotterdam, and as they are at London and the principal ports to which they run, where they have no intimate and close connection with their own ports—I do believe that there is a greater safety for the trade as a whole that there should be more than one man running in those different services, because if there is one man, he is omnipotent, and he is apt to get arbitrary. He has no interest in the port himself, he is away from it, and he thinks that such and such a thing must be done, and there is no way to stop him. But, if you have three or four different lines operating in a certain direction, you will always find one or two to counsel wisdom, and counsel the other hot-headed man not to go ahead and jack up the rate to a basis where the trade would be killed.

Mr. HARDY. That is the condition in the trade from New York to London, is it not? There is only one control, one ownership?

Mr. GOTTHEIL. There is only one concern. But I make the point that where the owner lives in London, he knows the necessities of his trade a great deal better than the man who stays in Liverpool and has a ship running to China.

Mr. HARDY. You think, then, it is all right for a man to own most of the transportation running from one city to the balance of the world and to provide the lines in that great city?

Mr. GOTTHEIL. I say he knows the trade better, he knows the requirements of the trade better.

Mr. HARDY. As I understand you, Mr. Gottheil, you have reached the conclusion that absolute domination is the ultimate end, by whatever way you come to it?

Mr. GOTTHEIL. I would not call it absolute domination; I do not believe that is correct.

Mr. HARDY. You spoke about one man being arbitrary and apt to jack up rates unreasonably, if he did not live at the place. Now, is it not altogether possible that an arbitrary man might do that now, if he did not live at the place?

Mr. GOTTHEIL. If he lived in London or Holland and acted on that basis, he would be more apt to get opposition than he would on the long-voyage trade.

Mr. HARDY. Is not that what all the owners fear? Is not the fear of ruinous opposition all that prevents any practice of extortion?

Mr. GOTTHEIL. No; I think not.

Mr. HARDY. What is it that prevents extortion?

Mr. GOTTHEIL. Because of the interest that every man must have and feel, that by keeping the business on a business basis, he is developing and increasing and extending his trade. Every business man wants to do more business. He wants to have two sailings a week, if he has had one, provided his trade requires it, and he is going to work in that direction provided he can do so with a reasonable profit, because the steamship business is like every other business; they are in the business to make money. If they try to make money beyond a certain point they invite competition, and I would like to state right here, that, taken as a positive rule, the rates for all the regular lines are, in good times when the market is high, always below a market basis, they are very seldom advanced materially. They are advanced if the market requires it. You take the trans-Atlantic trade: Conditions there are somewhat different from what they are in the long-voyage trade, because we carry so much cargo that comes in competition with other agricultural countries, and where the cost insurance and freight combined will carry the goods. In the trans-Atlantic trade a regular liner booking grain would be perfectly justified to get all it possibly could, i. e., all the market will stand in the way of freight rates; but when it comes to general commodities the trans-Atlantic liner never puts its freights anywhere near the high rates that are current in the open-charter market.

On the other hand there is the situation where the market goes down. The general charter market has been below a paying basis for many years, so low that a good many of the tramp owners have come near a position of bankruptcy. Now, the regular liner, when the trade is in that condition, does not come down to the low rate which the market establishes. The regular liner can not do it. It has too expensive a tool to work with. It would mean ruin and would mean an entire stoppage of the service. Now, we have known in bad times that ships have gone away with half cargoes in the trans-Atlantic trade, and that ships have taken grain in many instances for ballast purposes—in many instances where there is not a hundred-dollar bill on four or five hundred tons of grain—but they have done it to ballast their ships and put them into trim. They have gone away with empty space over and over again. Under that condition, of course, if everything goes down, there is nothing to make, and they can not exist very long; and therefore the regular liner has a steadier, and more even business. Its freights, as I stated before, never go to the extreme height that the market generally would show. They

never go to the extreme low level that we have seen at different periods in the general market.

Mr. HARDY. It is to your interest to prevent competition, is it not?

Mr. GOTTHEIL. It is to our interest to have no competition.

Mr. HARDY. That being to your interest, is it not likely that when competition menaces, you will adopt the means necessary to put competition out?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. Mr. Gottheil, have the lines you represent any agreements or understandings with the railways?

Mr. GOTTHEIL. We have. I am asked to appear here on behalf of the United States Shipping Co., in which we are interested as shareholders, and I have asked the officers of the United States Shipping Co. to supply me with the information that this committee requires; and I have here copies of three agreements made by the United States Shipping Co. on behalf of the Hamburg-American Line, another on behalf of the Donaldson Line, of Glasgow, and another on behalf of the Holland-American Line for Rotterdam with the Chesapeake & Ohio and the Norfolk & Western and the Southern Railway Cos. I understand these agreements have been duly filed with the Interstate Commerce Commission.

EXHIBIT 43.

An agreement, dated the 1st day of July, 1908, between the United States Shipping Co., on behalf of the Hamburg-American Line, hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Cos. in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared, as follows:

(1) The Steamship Co. shall, either with their own or other steamers, stanch, tight, and strong, rated at 100 A1 at British Lloyd's, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Hamburg, Germany, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, as long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Hamburg shall be shipped at Newport News and/or Norfolk aforesaid in steamers to be provided by the Steamship Co. as aforesaid, in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time at which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other service.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber and other cargo peculiar to the South, the Steamship Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through north and south Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Hamburg to either Philadelphia or Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railways' systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe, and convenient manner, upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic on the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement:

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and/or Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that on account of the steamers usually having import cargo they will proceed to Newport News first, there discharge and take on cargo, and when in readiness proceed from Newport News direct to Pinners Point to the terminals of the Southern Railway, the Norfolk & Western Railway to barge its cargo to the steamers. Any cargo arriving over the Chesapeake & Ohio Railway for a steamer after her departure from Newport News to be barged to the steamer at the port of Norfolk at the expense of the Chesapeake & Ohio Railway.

(d) The Steamship Co. to take charge of all the eastbound freight as soon as taken hold of by the vessels' tackle and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the

Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the westbound freight as soon as delivered on their wharves and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation or other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss, or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss, or damage for which it may be legally liable and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, nor anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Hamburg and Baltic ports.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof by giving at least 6 months' advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk and Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co., by registered letter.

(13) It is further agreed that a notice of cancellation as provided for by this agreement by any one of the railways does not abrogate the agreement as to the remaining parties.

(14) In case Germany should be involved in a war by which the German flag should not be neutral, and it is not possible to obtain substitute tonnage under a neutral flag, the service shall be suspended during the period of such hostilities.

In witness whereof the parties hereunto have set their hands and seals the day and year first above written.

THE UNITED STATES SHIPPING CO.,

By _____.

On behalf of the Hamburg-American Line.

THE CHESAPEAKE & OHIO RAILWAY CO.,

By _____.

NORFOLK & WESTERN RAILWAY CO.,

By _____.

SOUTHERN RAILWAY CO.,

By _____.

EXHIBIT 44.

An agreement, dated the 1st day of July, 1908, between The United States Shipping Co., on behalf of Messrs. Donaldson Bros. (Donaldson Line), hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Co., in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared, as follows:

(1) The Steamship Co. shall, either with their own or other steamers, staunch, tight, and strong, rated at 100 A1 at British Lloyds, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Glasgow, Scotland, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between the said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, so long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Glasgow shall be shipped at Newport News and for Norfolk aforesaid in steamers to be provided by the Steamship Co. as aforesaid in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time at which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other services.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber and other cargo peculiar to the South, the Steamship Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through the north and south Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Glasgow to Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railway's systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe and convenient manner upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic of the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement.

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges, alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and for Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that at the port of Norfolk the steamers will take cargoes from the wharf of the railway having the largest amount of freight available, and that the cargo of the other railway or railways will be delivered to the steamer free of all expense to the Steamship Co., always provided that the steamers will go to the wharf of the railway, the nature of whose cargo requires it to be loaded first. The steamer then to proceed to Newport News and complete the loading of Chesapeake & Ohio Railway cargo and cattle.

(d) The Steamship Co. to take charge of all the east-bound freight as soon as taken hold of by the vessels' tackle, and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the west-bound freight as soon as delivered on their wharves, and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses, and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation or other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss, or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss, or damage for which it may be legally liable, and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, or anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to

select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Glasgow.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof by giving at least 6 months' advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk & Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co., by registered letter.

(13) It is further agreed that a notice of cancellation, as provided for by this agreement, by any one of the railways does not abrogate the agreement as to the remaining parties.

(14) In case Great Britain should be involved in a war by which the British flag should not be neutral, and it is not possible to obtain substitute tonnage under a neutral flag, the service shall be suspended during the period of such hostilities.

In witness whereof, the parties hereunto have set their hands and seals the day and year first above written.

THE CHESAPEAKE & OHIO RAILWAY CO.
By _____

NORFOLK & WESTERN RAILWAY CO.,
By _____

SOUTHERN RAILWAY CO.,
By _____

By THE UNITED STATES SHIPPING CO.,
On behalf of Donaldson Bros.

EXHIBIT 45.

An agreement, dated the 1st day of July, 1908, between the United States Shipping Co., on behalf of the Nederlandsch Amerikaansche Stoomvaart Maatschappij (Holland Amerika Lyn), hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Co., in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared as follows:

(1) The Steamship Co. shall, either with their own or other steamers, staunch, tight, and strong, rated at 100 A1 at British Lloyds, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Amsterdam-Rotterdam, Holland, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, so long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Amsterdam-Rotterdam shall be shipped at Newport News and for Norfolk aforesaid in steamers to be provided by the Steamship Co. as aforesaid in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time

at which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other services.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber, and other cargo peculiar to the South, the Steamboat Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through North and South Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Amsterdam-Rotterdam to either Philadelphia or Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railways' systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe, and convenient manner, upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic of the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement:

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges, alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and for Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that on account of the steamers usually having import cargo, they will proceed to Newport News first, there discharge and take on cargo, and when in readiness proceed from Newport News direct to Lambert's Point to the terminals of the Norfolk & Western Railway, the Southern Railway

to barge its cargo to the steamers. Any cargo arriving over the Chesapeake & Ohio Railway for a steamer after her departure from Newport News to be barged to the steamer at the port of Norfolk at the expense of the Chesapeake & Ohio Railway.

(d) The Steamship Co. to take charge of all the eastbound freight as soon as taken hold of by the vessels' tackle, and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the westbound freight as soon as delivered on their wharves, and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation of other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss or damage for which it may be legally liable, and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, or anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Amsterdam-Rotterdam.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof, by giving at least 6 months advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk & Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co.; by registered letter.

(13) It is further agreed that a notice of cancellation as provided for by this agreement by any one of the railways does not abrogate the agreement as to the remaining parties.

In witness whereof, the parties hereunto have set their hands and seals the day and year first above written.

THE UNITED STATES SHIPPING CO.,
By _____,
On behalf of the *Nederlandsch Amerikaansche Stoomvaart Maatschappij*
(Holland Amerika Lijn).

THE CHESAPEAKE & OHIO RAILWAY CO.,
By _____,
NORFOLK & WESTERN RAILWAY CO.,
By _____,
SOUTHERN RAILWAY CO.,
By _____.

The CHAIRMAN. Has the Hamburg-American Line agreements with other railroads than those mentioned?

Mr. GOTTHEIL. I can not tell. It is not within my province. You will have to ask the Hamburg-American Line representative for that, because my firm only acts for the New York freight service, and the service from Virginia.

The CHAIRMAN. Have you produced all the agreements with railroads on the part of lines for which you are the representative or agent in this country?

Mr. GOTTHEIL. My firm has other arrangements that were not asked for, but I am quite prepared to give the committee all the information that it desires, because above all we wish the committee to thoroughly understand the situation, to be as fully posted on what is being done for its information, and so that the committee will have the real facts before it, and I am therefore, although I have not been asked, quite prepared to give the additional information you ask for now. The firm of Funch, Edye Co. has had for the last 18 years an arrangement with the Louisville & Nashville Railway Co. for the transportation of its export traffic through the port of Pensacola, covering Liverpool, Bremen, Havre, and the Mediterranean ports. The service for Liverpool is furnished by a steamship company under the Spanish flag, operating from Liverpool to Cuban ports, and returning by way of Pensacola, and is known as the Serra Line. The service from Pensacola to the Mediterranean ports is furnished by the Austro-Americana Steamship Co. The Havre and Bremen service is a sporadic one, entirely governed by the movement of cotton, active during the season, and nonactive when there is no cotton moving. It is partly covered by one of the ships that the railway company owns and partly covered by such ships as we charter.

The CHAIRMAN. Have you agreements with any other railroads?

Mr. GOTTHEIL. We have another agreement, which has quite recently been made with the Aransas Channel & Dock Co. for the opening up and development of Port Aransas in Texas, which is a similar agreement to provide tonnage for such traffic as they may have moving. It is a new undertaking. It is a development that is just beginning, and they will, we hope, largely contribute to the movement of cotton from the southern part of Texas, especially during the early part of the season, because it is early cotton, and it is only on all fours with what has been done and is being done to-day when a new port or a new service is opened. Every sacrifice has got to be made in order to attract cargo to the port, and to persuade the shippers as well as consignees to favor the port. That is a condition which I may say has existed with every one of the United States ports, and that is a condition that has gradually developed the large steamship lines, now operating from the different ports, especially in New York, and a trade has been built up from a small beginning, with small ships. Forty years ago the Holland-American Line started with two ships, the *Maas* and the *Rotterdam*, which carried 1,200 tons of cargo. It was a most difficult task to fill a steamer of that size. After running awhile they added two more ships that carried 1,800 tons, and we were pretty much at our wits' ends to know how to fill those ships. Of course they were larger and two sailings a month as against one. When those ships came along we found it very soon developed the trade, it attracted business, and we found it was easier

to fill those two ships than it had been to fill the one ship. To-day the Holland-American Line has a fine and efficient service, as good as any, composed of combined passenger and freight boats, as fine as you can find in the world; and where the ships carried 1,200 tons 40 years ago, the ships to-day carry 12,000 tons; and where they had a monthly service 40 years ago, there is to-day a weekly service; and that is a condition, gentlemen, that you can dwell upon and explain at every port and every service; it will carry us entirely too far, and I have no desire to take up your time, but, of course, these steamship companies have made heavy sacrifices; they have suffered great losses.

The Holland-American Line at one time had to write off half its capital; it was sunk, gone, and so a great many other steamship companies have been obliged to lose a large amount of money in developing the business in which they had entered, and it is not therefore unreasonable for them to feel, that having done what they have done to create a trade, that they should be protected and that they should protect themselves.

Mr. HARDY. Have you any agreements or any understandings, say, with the Pennsylvania, the New York Central, or other roads going into New York?

Mr. GOTTHEIL. Railroad agreements are never made in New York.

Mr. HARDY. I do not care where they are made.

Mr. GOTTHEIL. I mean that New York is an open port; it is different from all other ports. It is because we have so many railroads that there is no necessity for any railroad agreements; in fact, we would rather be free, open to take cargo from every railroad than to have an agreement. When you come to other ports where the railroads own the docks and where you are obliged to go to their terminal and load cargo, the condition is somewhat different.

The CHAIRMAN. New York you call an open port, and the docking facilities are under the control of the city?

Mr. GOTTHEIL. Yes; or under the control of private owners.

The CHAIRMAN. Not under the control of the railroads?

Mr. GOTTHEIL. No, sir; no steamer ever goes to a railroad pier to load miscellaneous cargo. The only time, I think, that a steamer will go to a railroad pier is when she loads a full cargo of grain and goes to the grain elevator and loads it at the railroad terminal.

Mr. HARDY. Is that the case in Philadelphia?

Mr. GOTTHEIL. The condition in Philadelphia is different. Two railroads center there. The Pennsylvania Railroad has certain lines coming to its terminal and the Reading has other lines coming to its terminal, and some interchange; they go to two terminals.

Mr. HARDY. As a matter of fact, do not the Reading and the Pennsylvania own boats themselves that are engaged in this shipping?

Mr. GOTTHEIL. The Pennsylvania Railroad in the olden times, I believe, had a very large share, rather a very large financial interest in the International Navigation Co., which operated the Red Star Line and afterwards the American Line, but I believe they have no interest to-day. The Philadelphia & Reading has no interest at all, to the best of my knowledge.

Mr. HARDY. I do not know about foreign trade, but they own many coaling boats and similar craft.

Mr. GOTTHEIL. In the coastwise trade it is different, I believe.

The CHAIRMAN. Take Philadelphia. I remember going up the water front there for a number of miles, and it looked to me like the Pennsylvania and Reading companies have monopolized the entire water front except one pier, which is owned and controlled by the city; and yet they complain that they can not develop their shipping interests, and I wondered if they were blind enough not to know why.

Mr. GOTTHEIL. I think that is correct, so far as the piers are concerned. I believe the piers in Philadelphia are very largely controlled by these two railroads, and there was a period when, I think, cargo, so far as the Pennsylvania was concerned, was not brought to Philadelphia. The Reading, I think, took the position of forcing what they could into the port of Philadelphia, because that was their terminal, unless they worked over the Lehigh Valley Railroad into New York. And, again, that did not suit the Reading; they wanted their own road developed, and by increasing the traffic from the Reading terminals, having different lines running from the Reading terminals to European ports, it more or less forced the hand of the Pennsylvania, and the Pennsylvania took a different position. The situation at present, I am free to say, is that all along the coast here the railroads do what they can to develop the port to which they are running. I think that the railroads have forced more than one steamship company to give them a service, although, perhaps, the conditions did not really warrant it.

I know that the Boston roads have forced the steamship companies to go into Boston and take rates that they can get at New York just as well, because under the filing with the Interstate Commerce Commission, east bound, there is not any difference between Boston and New York, and of course a steamship company would have no interest to go into Boston when they could get the same rates from New York. Of course, there is a differential between Philadelphia and Baltimore as against Boston and New York, and that brings us again to the disturbance we had here lately between those railroads where, under certain decisions or opinions given by the Interstate Commerce Commission, the differentials were to be adjusted. I feel this way: That each of those ports is entitled to a certain share of the business that is moving. If New York attempted to materially increase its traffic, it would have a great many difficulties to handle it—speaking entirely now so far as Atlantic business is concerned—and I think certain classes of cargo can move more readily through the other ports.

The CHAIRMAN. I believe that is all this afternoon, Mr. Gottheil.

Mr. GOTTHEIL. I should like just a minute. It will not take me more than a minute. I have here before me, gentlemen, the "Report of the Royal Commission on Shipping Rings," which was presented to both Houses of Parliament in connection with a question similar to that which is now being investigated by this committee.

Mr. HARDY. What is the date of that?

Mr. GOTTHEIL. It was in 1909. I should like to state that the advantages secured by a conference system are given in this report to be:

- (A) Regularity and high class of service.
- (B) Stability of rates.

(C) Maintenance of equal rates from the United Kingdom and the Continent.

(D) Economy in a more economical distribution of cost of service.

(E) Uniform rates to all merchants, and

(F) No carriage for ship's account, which means no cargoes to be carried on ship's account.

This report, gentlemen, deals very minutely with the whole question, and especially deals with the question of the deferred-rebate system.

The CHAIRMAN. I will say to you this: That months ago we went through that. We have it.

Mr. GOTTHEIL. If you will pardon me, I will say it expresses so thoroughly my views on the question of the conference and on the question of the rebate system that I should like very much to have pages 38 to 50 embodied in the record as part of my testimony before your committee.

The CHAIRMAN. Is there any objection?

Mr. HARDY. I have no objection. That is the substance of their findings in favor of conferences, is it not?

Mr. GOTTHEIL. Yes.

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PART IV.

ADVANTAGES ATTRIBUTED TO THE SHIPPING CONFERENCE AND DEFERRED-REBATE SYSTEM.

111. It has been generally recognized by economists and writers on trade organization that the various forms of transport or locomotion should be classed among the trades where monopoly may secure very great advantages. Whether the service of carriage by sea is one in which the disadvantages of monopoly are outweighed by its advantages is the main question in issue in this inquiry. Monopolies or combinations are, so far as production is concerned, beneficial in proportion as they bring about the substitution of something which is more for something which is less valuable, or enable more of a particular thing or service to be produced or provided at a decreased cost. It will therefore be material to consider how far the system of shipping conferences and deferred rebates conforms to these tests.

112. The chief advantages claimed by its advocates for the system may be classified as follows:

(1) Improvements in service by—

(a) The institution and maintenance of regular sailings and stable rates of freight.

(b) The provision of steamers of high class and speed.

(2) Economy in cost of service.

(3) More economic distribution of cost of service.

(4) The maintenance of equal rates from the United Kingdom and the Continent.

(5) Uniform rates of freight to all shippers, large or small.

(6) No carriage on ship's account.

We shall accordingly in this part of our report consider in what sense these are real advantages, to what extent they are guaranteed by, and how far they are dependent upon, the system of shipping conferences and deferred rebates.

(1) IMPROVEMENTS IN SERVICE.

(a) The institution and maintenance of regular sailings and stable rates of freight.

113. It is claimed by the shipowners, and, indeed, generally admitted, that the provision of a regular service of steamships is of much importance to a merchant. His opportunities of shipping are increased, and their occurrence at regular intervals and on fixed dates removes the necessity of storing his goods. He has not to engage cargo space in advance, and if at the last moment

he does not wish to or is unable to ship his goods he incurs no penalty and suffers no inconvenience. But these regular facilities are not only of importance for reasons of this nature. They have an economic value in increasing the volume of trade. This was well described by Sir James Mackay (of the British India Steam Navigation Co.), as follows: "If you keep on supplying goods to a country or to your customers with regularity you increase the consumption; if you supply these goods fitfully, and you do not supply the demand when the vacuum is there, then you never get it again in the same degree. Whereas if you have a regular service of ships going out and constantly taking out cargoes, in my opinion you are increasing the demand in India and increasing the consumption in the country." We concur in this opinion, and consider that the dispatch of steamers at regular dates advertised beforehand is not only a desirable but an essential requirement of the trade in general merchandise at the present day.

114. When to regularity of sailings is added stability of freights, the economic advantage is said to be still greater. Merchants are enabled to make forward contracts to deliver their goods not only by a certain date but also at a fixed price, including cost, freight, and insurance. All merchants shipping general

(Marginal references: J. Holt, 1686; Mackay, 1984.)

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merchandise agree, we believe, that regular sailings are of great advantage, though they differ to some extent as to the dependence of regular sailings upon the rebate system. They vary, however, in their opinions as to the necessity of stable rates of freight. The great preponderance of evidence before us was to the effect that stable rates and regular sailings were essential to the conduct of trade at the present day. It may be mentioned that Mr. Langdon (president of the Manchester Chamber of Commerce), in speaking of the cotton-piece trade, drew an interesting distinction between the trade to the East and that to the West. He expressed the view that in the trade to the East stable rates of freight and regular sailings were absolutely essential for the reasons that orders are generally placed months ahead, and the trade is conducted in large quantities and for a small profit on a cash basis. In the western trade, on the other hand, where the bulk of the trade was done on the credit system and for large profits, he thought it was an open question whether merchants would not be better off under a free freight market. Mr. Zimmern (of Messrs. L. Reiss, Bros. & Co., large shippers to China) agreed with this opinion so far as the eastern trade is concerned, and he stated that where there are so many factors, e. g., exchange, which introduce uncertainty into the trade, it is an advantage to have one factor, viz, freight, which is certain.

115. We are of opinion that stability in rates of freight is a very important factor in the development of regular trades. Moreover, it is evident that without such stability the publication of rate tariffs and classifications of goods, to which many of our witnesses attached great weight, could not be secured.

(b) The provision of steamers of high class and speed.

116. It is claimed as an advantage of the conference system that, by reason of the greater security which it provides, it enables shipowners to supply vessels of higher class and greater speed, specially adapted to meet the requirements of particular trades.

117. The advantages of shipping by vessels of high class and speed are obvious. The insurance premium on cargo is less, and the cargo is delivered in better order and with greater dispatch. It is equally an advantage that the steamers should be specially adapted to the requirements of the trade in which they are to be employed. The conditions of different trades are seldom the same. They vary in the draft of water at the ports of discharging. They vary also in the nature of the cargo which they yield and in the quantities and seasons in which that cargo is provided. In the Australian and Argentine trade, for example, a large part of the homeward cargo consists of perishable goods such as meat, fruit, and butter, and for the safe carriage of these commodities vessels specially fitted with cool chambers and refrigerating plant are essential. Further, in the homeward trade from the Argentine, vessels specially constructed, of light draft, are required. The adaptation of steamers to suit the requirements of particular trades has the additional advantage that it relieves shippers of any anxiety as to the class or nature of the vessel by which they

are going to ship, and enables them to count upon a uniform and stable rate of insurance in making forward contracts for the sale of their goods.

118. Clearly, then, the most economic carrying instrument for a particular trade is one which has been built specially to meet the requirements of that trade. At the same time, it must be pointed out that the extent of the advantage to be obtained from a service of steamers of high class and special qualities varies according to the nature of a merchant's business and the character of the goods which he ships. To many these advantages are essential. To others a service of a lower class of vessel would be equally advantageous, and the correspondingly lower rates would render such a service desirable.

(2) ECONOMY IN COST OF SERVICE.

119. It is contended by those who have expressed views adverse to shipping conferences that the monopoly obtained through the system of referred rebates may, in cases, enable them to charge rates which are higher than the cost of the service plus a reasonable addition for profit. Whether they have, in fact, done so we do not propose to consider here. It is, on the other hand, claimed by the shipowners that the working of the system by reducing the cost of service may, and does, eventually result in lower charges to the shipper.

(Marginal references: Langdon, 679, 687-688; Zimmern, 13768; Zimmern, 13856.)

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120. In Part II we have given an account of the various means adopted by the conferences to apportion traffic and regulate competition. These, by minimizing wasteful competition among the lines, must, to a considerable extent, reduce the aggregate cost of the service supplied by the conference, and, unless the benefit of the reduction passes entirely into the pockets of the shipowners, may counteract the tendency toward increased rates, which a cessation of competition renders possible.

121. A second factor which may conduce to reduction in the cost of the service is the effect which the conference system has had upon building. We have already in paragraphs 116-118 noted the economic effect of improvements in the class of vessel supplied. Economies are effected also in the size of the vessel. A large vessel, provided that it can be filled, is a more economic vessel than a small one. The larger the vessel the smaller the ratio which working expenses bear to gross earnings. The tendency on this account to build ships of greater carrying capacity is, we are informed, evident in the case of the tramp as well as in that of the liner. But it appears to us that, in the case of ships which have to sail whether their cargo spaces are full or not, this tendency would, to some extent, be checked, if they were deprived of every means of securing merchants custom other than the excellence of their service. While, however, the tendency, which we have noted, to build steamers of large size and high class up to a point leads to economy in cost of service, it is to be observed that, in a system which leaves competition in facilities, as distinct from rates, largely unaffected, the result may be undue inflation either in the number, the size, or the value of the ships. To this subject we recur in paragraphs 177-185.

(3) More economic distribution of cost of service.

122. To appreciate the effect of the conference system in distributing cost of service over the various items of cargo carried it is necessary first to understand how the cost is borne in the open market. The rate provided for in the charter party of a tramp or sailing vessel is, speaking generally, one rate, based upon the fluctuating value of tonnage as determined by the laws of supply and demand.

123. Under the conference system the quasimonopoly obtained by combination and the system of deferred rebates lifts the rates to a large measure outside the sphere of competition. Rates are no longer assessed according to the value of tonnage as determined by supply and demand. A tariff or classification is drawn up, applying different rates to different articles, and these rates are maintained over long periods. In the making of this tariff an entirely different standard from that on which tramp rates are assessed is applied. The limit in the case of each commodity is "what the traffic will bear," for broadly regarded it is not to the interest of a shipowner to charge a rate which will result in the diminution of traffic.

124. But other considerations are taken into account. Where, as in the case of heavy lifts or dangerous goods, exceptional charges are incurred in stowage,

and in loading and discharging, the element of cost of service is considered. Cost of service, however, so far as most goods are concerned, is difficult to estimate, and is therefore only taken into account in exceptional cases. It is, however, often taken into consideration in settling the relative rates to or from various ports served by the same line. Ports where the duties are low, or where there are exceptional facilities for discharging, and ports where coal is forthcoming, receive pro tanto lower rates than ports lacking such advantages.

125. Another factor of even greater importance is the value of the commodity. Where goods are divided into classes, these classes correspond roughly with the value of the goods, and where the rates are quoted separately for each commodity here again value seems to play an important part. This, it is claimed, has advantages. It enables the shipping companies to apportion the cost of their service over the various items of traffic in such a way as to make the most of the trade. If a rate bears hardly on one article it can be reduced and compensation obtained by an increase in another direction. It enables the shipping companies to look at the trade not only as it is, but as it may become. Thus, Mr. Alcock, of the Pacific Steam Navigation Co., stated with regard to the trade to the West coast of South America that "at the present moment

(Marginal references: Bibby, 21048; Cook, *precis.* par. 8 Lloyd. 16595; cf. Report of South African Subcommission, par. 16.)

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there are many ports called at which are simply being nursed, and although in many cases there is no homeward cargo from these ports, they are put on a reasonable footing in the matter of freights."

126. At the same time, the apportionment of the cost of service in this way may lead to hardships in particular cases. The rates on goods which are subject to competition by tramps or sailing vessels will naturally be fixed low, and this may lead to a higher rate being imposed on articles not subject to competition. Thus, in speaking of the low rate obtained for cotton piece goods by the combination of the cotton piece goods importers in Bombay, Sir James Mackay said, "It may be that this low rate of freight on piece goods from Liverpool to Bombay necessitates a higher rate on other goods." Similarly, to compensate themselves for the low rates which governments, municipalities, and other shippers of "contract quantities" are able to demand, the shipowners may possibly charge higher rates on the goods of the general merchant. Again, as in the case of the tramp, rates are fixed with reference to the round voyage. A lack of freight or excessive competition in the homeward trade may therefore result in a higher rate being charged for goods outward. This relation of the outward and homeward cargo is especially evident in the South African trade, where the permanent lack of cargo homeward results in a corresponding inflation of the outward rates. Similarly, a commodity, which from its desirability as cargo may be able to command a very low rate in the open market may, when charged by the standard of value or of "what the traffic will bear," have to pay a very enhanced rate. An interesting example of this was given with regard to the rate on tin charged by the Straits Homeward Conference.

(4) The maintenance of equal rates from the United Kingdom and the Continent.

127. We have in paragraph 62 given some account of the agreements and understandings existing between the lines carrying from the United Kingdom and the Continent, under which the same rates are charged on similar articles. These agreements, we believe, exist either in the form of a written document or in that of an understanding in practically every long voyage trade from Europe, with the exception of that to New Zealand, which is entirely in the hands of British lines.

128. The only ground on which it could be contended that these agreements are not to the benefit of British trade was that taken by Mr. Maclay (a tramp shipowner), who contended that in an open freight market the rates from the United Kingdom, owing to the predominance of British shipping, could not but be lower than the rates charged from the Continent. On the other hand, it was frequently urged by the shipowners that but for the rebate system rates from the Continent would be lower than rates from the United Kingdom.

129. As to this, we fail to see on what grounds Mr. Maclay's contention can be supported. If the phrase "open market" has any meaning, it is that the tonnage in it operates according to the laws of supply and demand and without regard to national boundaries. We fail, therefore, to see in the predominance

of British shipping any reason for supposing that the rates would in an open market be lower in this country than in, say, France or Holland or any other European country equally favorably situated for the markets oversea. On the contrary, it appears to us that, if and in so far as under an open market ship-owners were tied to national ports, the subsidies which are granted to national shipping by many foreign Governments would enable them to carry goods at lower rates than British shipowners. We are further of opinion that the agreements for maintaining rates of freight at an equal level from the Continent and United Kingdom have had a salutary effect upon trade in averting rate wars. We do not found this opinion upon any contention that the rates in an open market would be higher from this country than from the Continent, but solely upon the ground that rate wars are detrimental to trade generally. The agreements, so far as we are able to judge, have been loyally observed, and, except in cases where they have been temporarily interrupted by disputes within the conference or by incursions from without, they have had a permanent and real effect in maintaining equality of rates.

(Marginal references: Alcock, *precis*, par. 12, 20338; Bibby, 21032; Blake, 10657-8; Mackay, 19689; Soper, 196-7; Dyer, 1814; R. H. Price (S. A.), 1003; Mackay, 19585; McArthur, *precis*, par. 14, 12535-6, 12433, 12480-1, 12425; R. I. Holt, 17145; Maclay, 8488-9; Cook, 19102.)

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130. We are further of opinion that the existence of organized conferences of regular lines on both sides of the channel, interested in developing the export trade of their own countries, is in itself a factor tending to prevent the rates from either side from being maintained at an unduly high level, or at a level which hinders the development of British trade.

131. It will be convenient to deal here with two cases in which it is alleged that distinct preferences of a prominent character have been accorded to continental shippers:

(1) The trade to New Zealand which, both from the Continent and from the United Kingdom, is in the hands of British lines.

(2) The through rates from inland towns in Germany granted by the German State railways in concert with certain German steamship companies.

(1) *Trade with New Zealand.*—It is understood that there are no lines, either British or foreign, carrying direct from the Continent to New Zealand. Continental goods are sent to New Zealand via London, where they are transhipped into the direct steamers of the conference.

Mr. Wright, the secretary to the Birmingham Chamber of Commerce, gave several instances, ranging from 1903 to 1906, of cases in which the through rate from the Continent via London was lower than the local rate charged on British goods. He informed us that in 1903 the question of these differential rates was brought to the notice of some of the shipping companies by the Birmingham Chamber of Commerce, and the Tyser Lines stated that "their object in fixing lower rates from continental ports was to take it out of the power of continental steamship companies to run a service from the Continent direct to New Zealand, and this could only be done by competing with the Germans, which they were doing at considerable cost to the New Zealand steamship lines."

Mr. Blyth, of the Walsall Chamber of Commerce, gave similar instances of differential rates, existing in 1906 and 1907, on printing machinery, sail cloth, canvas, and collar checks. The Invercargill Chamber of Commerce also quote similar differentiations in the rates on enamel ware and nails.

We regret that, owing to the refusal of the New Zealand conference lines to depute a representative to give evidence before us, we were unable to examine them in regard to these differential rates.

(ii) *Through rates from inland towns in Germany.*—These through rates have been referred to by several witnesses as an instance of the failure of British conference lines to obtain equality of treatment for British shippers. And though, as will be seen from the following statement in regard to this point, an inquiry into the subject generally does not come within our terms of reference, it seems advisable that we should give some account of the relation of these through rates to the agreements as to rates to which we have already referred.

Through rates are arranged by the German State railways with certain German steamship companies, and they include carriage by rail from the inland

town to the port and carriage to the foreign port of destination by the steamer. The trades in which these through rates are granted and the lines by which they are available are as follows:

- (1) The trade from Hamburg to the Levant by the German Levant Line.
- (2) The trade from Bremen to the Levant by the Bremen Levant Line.
- (3) The trade from Hamburg to ports in East and South Africa by the German East African Line.

The specific ports in these trades to which goods can be carried on through rates are given in Sir W. Ward's report in Appendix, Part III. It may, however, be stated here that the ports of Cape Colony are not included, and that, so far as the area served by the south African conference is concerned, the only ports to which the arrangement applies are Durban, Delagoa Bay, and Beira.

The arrangement for the apportionment of the through rate between the shipping companies and the State railways is kept secret, and we are, therefore, unable to say whether the freight received by the shipping companies is equivalent to the freight received for port to port carriage on goods not shipped on through rates, which in the case of the south African trade is by agreement

(Marginal references: Wright, *precis.*, par. 2-6; Blyth, *precis.*, par. 3-5; App. Part III, p. 216.)

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the same as the freight charged by the British lines. It was urged by certain witnesses that the amount received by the German line out of the through rate was less than the ordinary port to port rate, but little evidence could be adduced in support of this other than the supposition that, as goods are carried by weight on the railways, the through rate must be arranged entirely on a weight basis, and that, if the share received by the shipping companies consists of the port to port rate, based according to weight, this must in most cases result in their carrying a larger amount per freight ton than the British lines.

Any suppositions as to the relation of the share of the through rate received by the German lines to the port-to-port rate charged on goods not carried on through rates can only be speculative. The relation is not even known to the British lines. What is clear is that the through rate is considerably lower than the rate formed by the addition of the tariff railway rate to the ordinary port-to-port rate. Such rates constitute, therefore, a direct subsidy to the export trade of German manufacturers and an indirect subsidy to those German lines by which alone they are available. And, as they are only rendered possible by the action of the German Government, it appears to us that the British lines can in no way be held responsible for the preference which these rates accord to German goods. The British lines are, in fact, themselves injured by the indirect subsidy which the arrangement accords to certain German shipping companies. We may, however, add that, according to Mr. Byron, so far as the British shipowners are able to gather, the quantity of cargo that is shipped to South Africa on these through bills of lading forms a very small proportion of the shipmen's from Germany.

(5) UNIFORM RATES OF FREIGHT TO ALL MERCHANTS, LARGE OR SMALL.

132. It is claimed that under the conference system shipowners are enabled, except as regards what are known as "contract quantities," referred to in paragraph 63 (p. 26 *ad fin.*) to charge the same rates to all shippers alike, whether large or small. In other words, it is claimed that the system enables them to protect the "small man" from his more wealthy competitor, and the great majority of merchants appear to regard this as of the highest importance. The late Mr. Soper, in fact, speaking on behalf of the South African Merchants' Committee, apparently looked upon uniformity of rates as the most important advantage which the system could confer.

133. That the system has the effect of protecting the "small man" is, we think, beyond doubt. To the large shipper, on the other hand, whose consignments are on such a scale that in an open freight market he could obtain a preference over his smaller competitors, uniformity is probably of no advantage; and the preponderance of evidence in favor of such uniformity is probably due to the fact that, while such of the larger merchants as approve of the whole conference system acquiesce in uniformity of rates as an integral

part of that system, the majority of shippers come within the category of "small men," to whom uniformity is an undoubted advantage.

134. But the economic advantage of uniformity of rates is to be tested, we think, not by its effect on this or that section of the mercantile community, but by its effect on the general course of trade. The important consideration is whether a system of uniform rates results in increasing the volume of exports and reducing the cost to the consumer, as compared with a system of open competition under which the powerful shippers, or combinations of them could obtain preferential rates.

135. In favor of a system under which preferential rates would be allowed it has been argued that, as business can be done at less cost on a large scale than it can on a small scale, the consumer and producer should not be deprived of the reduction in cost which would ensue, if those operating on a large scale were allowed preferential terms. We are, however, of opinion that this argument is fallacious for the following reasons:

(1) The system of uniform rates does not apply to "contract quantities" nor to goods shipped in bulk.

(2) At the present day, when goods are dispatched in small quantities at a time, the service performed by the shipowner is the same and costs the same for the same character of shipment, whatever the scale of business of the shipper for whom it is performed. It follows, therefore, that if preferential rates are

(Marginal references: Currie, *precis*, par. 4; Lloyd, 16043; Byron, 15256; Soper, *precis*, par. 12, 125-6, 385-6.)

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given to the large shipper, the shipowner must recoup himself by charging smaller shippers rates proportionately higher than those which would be warranted by the cost of the service.

(3) We see no reason for supposing that, if preferential rates were granted to a privileged section of merchants, the benefit of those rates would reach the producer or consumer.

136. And not only are we for the above reasons of opinion that the system of uniform rates is not to the disadvantage of the public, but we consider that the system is on economic grounds and on grounds of public policy preferable to a system of preferential rates, since, by preventing large firms from obtaining too much power, it promotes competition in a sphere where competition is valuable, and ensures the benefits of such competition reaching the consumer.

(6) NO CARRIAGE ON SHIP'S ACCOUNT.

137. It is contended that one of the advantages of the conference system is that shipowners abstain from carrying cargo on their own account in competition with merchants. They admittedly make, however, an exception with regard to coal, which they claim the right to carry, either for the use of their own steamers or for sale abroad.

138. As regards this feature of the system it may be doubted whether in the long run it results in a diminution of cost to the consumer. Instances have, in fact, been brought to our notice in which shipping companies, by carrying at low rates on their own account such goods as cement, have considerably lowered the delivered cost of these articles. It is, however, regarded by merchants as of the greatest importance that shipowners should abstain from carrying on their own account. For, if the shipping companies competed with the merchants in the sale of general merchandise, they would start with a great advantage, as regards certain commodities at any rate, in being able to quote to themselves lower rates of freight.

HOW FAR THESE ADVANTAGES ARE SECURED BY THE CONFERENCE SYSTEM.

139. In certain exceptional cases conferences have made contracts with shippers, under which regular sailings, high-class vessels, and a fixed rate of freight are secured, and instances of contracts of this kind have already been given in paragraph 63. These contracts are, however, strictly speaking, separate from, and independent of the rebate system.

140. So far as the general system of shipping conferences and deferred rebates is concerned, shipping conferences are under no legal obligation to supply any of the advantages enumerated above. The only obligation which they un-

dertake in the rebate circular is to return a percentage of the freight, if certain conditions are observed. In the south African trade, it is true, an agreement, known as "the compact," exists between the South African Merchants' Committee and the conference lines, under which the latter recognize in writing their obligation to supply some of the advantages which we have enumerated. But this recognition is tempered by many qualifications and exceptions, and it certainly places the conference under no legal obligation.

141. It is important, therefore, to consider what guaranty shippers have that the advantages alleged to be given by the conference and deferred rebate system will in fact be given. We may deal with the question under the following handlings.

(a) REGULARITY AND HIGH CLASS OF SERVICE.

142. With regard to these advantages the answer is probably to be found in the consideration that no conference which failed to supply a regular service and high-class steamers could maintain its place. Though competition in rates between the members of the conference no longer exists, competition in facilities remains, and the line which supplies the greater facilities will secure the greatest amount of cargo. How far the advantage of regular sailings is discounted by their restriction to certain ports is a question which we reserve for discussion in a later part of our report. (See par. 262.)

(Marginal references: J. Holt, 5261; Zochonis, 1340.)

145. The security that the conferences will observe their agreements or understandings to charge the same rates as those from the Continent lies in the fact that the traffic from Europe is divided among the steamship lines largely, though not entirely, on national lines. The continental lines, that is to say, carry little if any traffic from British ports, while the British lines, although their interest in traffic from the Continent is by no means inconsiderable, derive the main portion of their revenue from the carriage of British goods. If, therefore, they charge less they will be involved in a rate war with the continental lines, and if they charge more they will run the risk of causing a diminution in British traffic and a corresponding increase of traffic from the Continent.

(d) ECONOMY IN AND MORE ECONOMIC DISTRIBUTION OF COST OF SERVICE.

146. From what has been already said in paragraphs 119 to 126 on the subject of these advantages, it will be seen that such guaranties as there are are inherent in the nature of the conference system; but it is doubtful whether they can be called guaranties at all. The reduction in cost which is brought about by the restriction of wasteful competition, or by economies due to improvements in, or the larger size of, vessels, may or may not reach the shipper. This will depend largely upon the strength of the conference and the existence, or the possibility, of outside competition. The conference may, of course, voluntarily reduce or refrain from raising its rates because individual members have effected economies; but on the whole, if the danger of outside competition is slight, the benefit of such economies seems likely to accrue to the individual members who effect them. The advantage which we have described as a more economic distribution of cost of service is more certainly secured to the shipper, since it is to the interest of the shipowner to fix his rates or commodities in such a way as to increase the volume of trade.

(e) UNIFORM RATES TO ALL MERCHANTS.

147. The guaranty of uniform rates lies chiefly in the fact that the conference system is based on an agreement among the lines to charge the same rates of freight. Without some rule that the rates should be the same for all merchants alike such an agreement would be very difficult to work and conferences would be weak if the individual lines were at liberty to offer preferences at will. A further guaranty is to be found in the fact that it is not a rule in the interest of a conference to give special terms to the more powerful firms of shippers.

(Marginal reference: Sutherland 20530.)

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It may be mentioned here that in our opinion this is a course which they would have to pursue if the rebate system were abolished. It may, therefore, be said that the self-interest of the shipping companies combines with the nature of their alliance to secure the uniformity of rates.

(f) NO CARRIAGE ON SHIP'S ACCOUNT.

148. The abstention of shipowners from carrying goods on their own account is, we think, due to certain difficulties inherent in such competition. As it is difficult for the merchant to undertake the business of a shipowner, so also it is difficult for a shipowner to buy and sell general merchandise in competition with merchants. In the case of rough goods such as coal (and, in a less degree, cement), for which the demand is constant, and in the purchase of which shipping companies have already gained experience through their own business, these difficulties are not apparent; and in fact most shipping conferences claim the right to sell coal on their own account.

149. But the guaranty for the abstention of the shipping companies from carrying general merchandise on their own account is to be found not only in their lack of knowledge or experience of a merchant's business, which, after all, can be gained in time, but also in the nature of the combination or conference in which they are allied. Though competition in rates has been removed, some competition in facilities remains. And no single line in a conference could afford to incur the odium which would attach to it if it engaged actively in the business of shipping goods on its own account while its associates abstained from doing so. The guaranty afforded by the existence of competition within the conference does not, it is true, exist where, as in the case of the trade from this country to north Brazil and west Africa, the trade is in the hands of one company. In trades of this character, apart from the difficulty inherent in such business, the only factor operating to prevent a shipping company from carrying goods on its own account, should it wish to do so, is the fear that an opposition line might be started.

150. To sum up, then, there is no security in the form of a legal contract that the advantages claimed for the conference system will be supplied. Such security as does exist is due mainly to the fact that it is only by supplying them that a service provided by a conference differs from a service of tramp steamers and sailing vessels. It is the fear of competition from without and the existence of competition within the conference which tend to insure the advantages claimed for the system. To what extent these causes have operated will be discussed in the next part of our report, when we come to treat of the disadvantages of, and the complaints made against, the system.

151. But while these are what may be called the economic guaranties for the provision of the benefits claimed for the conference system, the influence of custom in securing these benefits for shippers is not to be overlooked. In the course of time as shipping conferences have developed, such features as uniform and stable rates, regular sailings, and the abstention of shipowners from carrying on their own account, have come to be looked upon so much as part and parcel of the conference system that they have crystallized, as it were, into usages or customs of the trade, the observance of which is generally acknowledged by the shipping companies as a moral obligation, almost, as it were, independently of the interest which they have in observing them. And, as will be seen in that part of this report which deals with the complaints which have been made against the conference system, many of the grievances preferred have taken the form of allegations that these usages have not been observed.

HOW FAR THESE ADVANTAGES ARE DEPENDENT UPON THE SYSTEM OF SHIPPING CONFERENCES AND DEFERRED REBATES.

152. The main advantages claimed as resulting from the system of shipping conferences or combinations may be classified as follows:

(a) Advantages resulting from the provision of regular sailings at fixed dates conveniently determined in relation to each other, and the supply of ships of a fairly uniform character.

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(b) Advantages resulting from the means which they afford to shipowners to provide transport services under conditions of reasonable economy.

(c) Advantages resulting from the distribution of the cost of the service or the fixing of rates on—

(i) A stable basis.

(ii) A reasonable and intelligible basis.

(iii) A principle of uniform charge to all shippers alike.

The first question we propose to discuss is whether these advantages could be obtained by the forces of open unrestricted competition or whether they can only be secured by the system of shipping conferences. It is no doubt true that

in particular cases, as e. g., in the Atlantic trade, one or more of them may be partially secured. But the question is whether in the carriage of goods by sea it would generally be possible to secure, without the agency of shipping conferences or combinations, an organized service where such service is required by the trade.

153. From our witnesses we were unable to elicit any very decisive opinion as to the extent to which such services would be secured. Some of the merchants who appeared in opposition to the system were wholly or chiefly concerned with the abuse or possible abuse of their monopoly power by the shipping conferences, while others expressed their belief that conferences were necessary, either with or without a rebate system. Some others, indeed, were of opinion that there were in existence certain checks on competition which gave the lines either such protection as was necessary from irregular competition or inducements adequate to secure the provision of the necessary service. Only in a few cases was the opinion expressed that a system of transport organized under combinations was in itself open to grave disadvantages quite independently of any misuse of power.

154. As regards (a), viz, the provision of organized and regular sailings, it was stated that mail subsidies and the exigencies of passenger services would assist in securing these. This is no doubt true. It is equally true that they would tend to be secured by a system of general subsidies, granted on condition that organized and regular sailings were provided and that stable and classified rates were instituted. In both cases, however, the ordinary forces of competition operating in the carriage of goods are specifically controlled. So far as the mail subsidies and the passenger rates are concerned we consider that these operate very unequally in different cases and that in a great many trades they are of little effect. In our opinion they do not, except in very particular cases, offer the necessary inducement to those engaged in the regular conduct of the trade. Finally it is important to note that in their present form they would not secure the other features which have been described as incidents of a service.

155. As regards (b) the ways in which conferences may and in many cases do tend to bring about a reduction in cost, and particularly in the cost of regular services, have been described, and here it is only necessary to observe that economy in these respects is dependent upon the existence of the conference system. In our opinion the system leads either directly by definite agreement, or indirectly by reason of the relations it creates among the various lines, toward a reduction of cost. Against this, it is true, must be placed the risk of inflation owing to specialization in types of ships for particular trades and to their restriction to particular routes. But it must be remembered that lines are often members of different conferences; that in many cases tramps are employed by lines to act as liners when the trade on any particular route is active; and that the less expensive and specialized liners often operate outside conferences—that is, as tramps—when the state of trade in any particular conference is bad. Moreover, it might be argued in the abstract that the increased knowledge gained of the dimensions of a definite trade would tend to prevent overbuilding, while in fact it is certain that in the Atlantic trade, where there is no conference, there is just the same tendency to inflation.

156. One of our witnesses, Mr. Maclay, argued that the effect of the conferences upon tramps was in some cases to increase the cost at which they can carry goods by preventing them from obtaining charters at particular ports. According to this view such economy as is achieved in the regular services is concurrent with increase in the cost of carriage by tramps. The extent to which this is to

(Marginal reference: Maclay, *precis*, par. 23.)

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be regarded as a serious disadvantage depends upon the value attached to the regular service. In our view the regular service is of high value, and we are clearly of opinion that the saving in cost of the conference system and its other advantages far outweigh any objections that can be founded on the effect of the system upon the cost of carriage by tramps.

157. As regards (c) the fixing of rates on a stable basis and according to some system of classification is, in our opinion, dependent upon the existence of a conference system. So, too, we consider that without such a system it would not be possible to secure the offer of equal rates for all.

158. Assuming then that shipping conferences are necessary to the provision of the advantages above discussed, there remains the important question

whether shipping conferences can effectively exist without some tie upon the shipper either in the form of the system of deferred rebates, or in some other form.

159. We shall in Part V of this report show that the power which combinations of shipping companies are enabled to obtain by means of the system of deferred rebates is abuse. If therefore the advantages, enumerated above, which are derived from the operations of shipping conferences at the present day are in no sense or only in an inconsiderable degree dependent upon the system of deferred rebates, it is clear that the main arguments in support of that system fall to the ground. If, on the other hand, these advantages are inseparable from the existence of an effective rebate system, the question still remains whether these advantages outweigh the disadvantages which may arise from the abuse of the system. The latter question may, however, be more properly considered in a later part of the report, when we have dealt with the complaints which have been made against the system.

160. The witnesses who have given evidence on behalf of the shipping conferences claim that without some guarantee of the custom of the shippers they would be unable to undertake to dispatch vessels at fixed dates without waiting until their holds were full, or to abstain from shipping cargo on their own account, and from entering into contracts with the more powerful shippers for preferential rates, or to maintain rates of freight at an equal level over long periods, or so to adjust their charges as to encourage trade. They assert that it is necessary that they should have some tie upon the shipper, some guarantee of his custom; and, omitting for the moment the question whether the deferred rebate is the most satisfactory form of tie, let us consider how far this assertion is warranted.

161. Strong support for the contention of the shipowners is, we think, to be found in certain conditions of the shipping trade which are peculiar to that trade. In the first place, a ship is not like a railway train. In the case of the latter the number of coaches or trucks can be diminished or increased to suit the momentary exigencies of traffic. But a ship is a fixed unit, and, in the present day, a fixed unit with a large and increasing cargo capacity. And this increase in the size of vessels, which, owing to the economies in cost to which it leads, is desirable in itself, would not, we think, be effected in the case of the liner unless there were some guarantee that the increased space would be filled.

162. In the second place, unrestricted competition in the shipping trade differs in certain important respects from unrestricted competition in other forms of industry. Competition on the part of a manufacturer usually involves the outlay of considerable capital, and the construction of premises and works implies an intention of establishing a fresh and permanent source of production. The capital of a manufacturer, that is to say, is to some extent fixed and immovable. A ship, on the other hand, or indeed, though in a considerably less degree, a line of ships, is the most mobile form which invested capital can take. Little, if any, outlay is involved in taking ships off one route and placing them on another; nor is there under a system of open competition any obligation to continue running them on a particular route when trade on that route is depressed and rates run low. In other words, the competition thus introduced offers a means of transport quite different from the service offered by the regular lines into whose trade it has cut, and one which costs it less than their regular service costs the conference lines. Yet in the case of any particular sailing the difference is immaterial, so far, at least, as many shippers are concerned. Shippers would, naturally enough, like to have the organized service of the regular lines, together with the additional and competitive sailings of tramps, rather than

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regular lines without these. The effect of the tie which the shipowners demand is to compel a choice between the service of regular lines and the sailings otherwise offered.

163. In this consideration, we think, the answer to be found to the argument which has been advanced that, if the advantages above referred to are really to the benefit of trade, they will be supplied under the ordinary operations of the law of supply and demand. We are of opinion that if shipowners were forbidden to use any means to secure custom other than the excellence of their service, the maintenance of a service offering these advantages would become impracticable. Shippers, even while admitting that it would be to their ad-

vantage collectively to ship only by the conference lines, would individually ship by tramps whenever a suitable opportunity offered. Indeed, the competition of their fellows would compel them to do so. And the loss of revenue thus occasioned to the regular lines would render it necessary for them to choose between abandoning their services or conducting them in a very different way.

164. In expressing this opinion we do not lose sight of the fact (1) that regular sailings of high-class steamers were given before the introduction of the rebate system, nor of the fact (2) that these advantages have been since and are now given in trades where the system is not in operation. As regards (1) we would point out in the first place that, though the rebate system did not exist, the contract system did, and in the second place that, as shown in paragraphs 30-34, it was only with the development and extension of regular lines in response to the new demands of trade that the necessity of the rebate tie became apparent. As regards (2), it appears to us that those trades in which the advantages above mentioned have been or are now given without any such tie are cases in which either the conference has for some other reasons a monopoly of the trade, or cases in which the imposition of such a tie would for other reasons be impracticable and unnecessary. An instance of the former cases is the north Brazil trade, of which the Booth Line held the monopoly in an open freight market up to the introduction of the rebate system in 1895. Of the latter an example is the north Atlantic trade for reasons already explained in paragraph 57.

165. The export trade of the United States of America has been spoken of by some of our witnesses as an instance of a trade in which regular sailings and many of the other advantages of an organized service are given without any tie upon the shipper. This presentment of the case, however, is hardly accurate. In the first place the cargo service of the United States of America—we do not refer to those routes in which the passenger traffic dominates the service, as, e. g., in the trade to this country—though probably sufficiently organized for the peculiar needs of the trade of that country would be by no means adequate for the needs of the export trade of the United Kingdom. Secondly, such organization as exists is not given without any restrictions upon competition.

The bulk of the exports of the United States consists of raw materials and foodstuffs shipped in large quantities, for which an organized service is not required. The general merchandise is relatively small in amount and in the absence of the rebate system a service with some organization is obtained for it by means of the preferential contracts which the shipping companies have entered into with the large trusts and combinations of manufacturers. These contracts, by insuring the supply of considerable amounts of freight at fixed rates, render it possible for the shipping companies to supply fairly regular sailings and to some extent to maintain rates at a stable level. We would further observe that in several cases the shipping companies carrying from the United States have obtained the security of custom denied to them by United States law in the outward trade by imposing a rebate system upon inward freight. This has been done, e. g., in the trades to the United States from South Africa, the Far East, Calcutta, Madras, Ceylon, and in the trades with South America.

166. We are then of opinion that for the reasons stated above and with the qualification stated in the preceding paragraph, the shipowners are justified in their contention that in supplying the advantages required it is essential for them to have some tie upon the shippers.

167. The only tie brought to our notice in the evidence which in our opinion would at the present day be effective both in binding the shippers and insuring all the advantages of the conference system in the degree in

(Marginal reference: App. I.)

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which they are now given is the deferred rebate. In certain trades and with regard to certain commodities the support of shippers has been obtained by a system of contracts. The only advantage urged on behalf of this system, an advantage probably greater in theory than in practice, is that the contract is terminable at a certain date and the shipper is left free to make new arrangements without any such loss as is involved in the case of the rebate. On the other hand, it is open to certain objections. In the first place, to form an

effective tie the contract must be for a long period. Secondly, as an alternative to the system of deferred rebates, the contract system does not appear to be uniformly applicable to all shippers in a large and general trade. In those trades in which it is used it is generally confined to one particular commodity, and in every case the shippers are comparatively few in number and well known. There is therefore no difficulty in finding them, and, when their support has been secured by contract, the shipowners have thereby obtained a guaranty of the bulk of the trade. In a large general trade, on the other hand, the shippers are many in number, and they vary from year to year and from month to month. A system of contracts therefore, in a trade of this character, would probably take the form of the system which existed before the introduction of the rebate system. The shipowners, that is to say, would make contracts at low rates of freight with the large merchants who were known to them, and the small and casual shipper would have to pay a higher rate. This is in fact the system which now exists in the export trade of the United States.

168. Moreover, we consider that the agreements under which equal rates are charged on traffic from the United Kingdom and Continent are, in a large degree, attributable to the rebate system, one great merit of which is that the tie which it imposes is an open one and bears on all merchants alike. Were the rebate system to be rendered illegal, it appears to us that the shipping companies would find it necessary to secure the custom of shippers by the adoption of preferential contracts on a large scale. And whether the abolition of the rebate system in this country would lead to its breakdown on the Continent or not, it seems certain that the adoption of a system of preferential contracts in this country would necessarily involve, to a large extent at any rate, the adoption of a similar system on the Continent. In such a system, necessarily involving arrangements of a secret character, we are of opinion that the same security for the charging of similar rates could not exist. In certain cases, it is true, where shipments of a large quantity are forthcoming, contracts are made by shipping conferences making use of the rebate system, and, where the tie between the British and continental lines is a close one, the terms of these contracts have to be made known to the whole conference. But, if the contract system largely or entirely superseded the system of deferred rebates, we are of opinion that contracts would have to be made so generally and on such a large scale that such consultation would be impracticable.

169. Our opinion on the whole matter may be summarized as follows:

1. The advantages conferred by shipping conferences are substantially dependent upon the system of deferred rebates, or some system equally effective as a "tie" upon the shippers and equally uniform in its application.
2. If the rebate system were abolished, shipowners would endeavor to secure the custom of shippers by making contracts with them covering long periods.
3. The contract system would in large general trades lead to the making of preferential contracts with large at the expense of small shippers.

The CHAIRMAN. Assuming that is your opinion, you are not in favor of any regulation by law, are you?

Mr. GOTTHEIL. I have also given that question considerable thought, Mr. Chairman, and I will frankly confess to you that I deem it entirely impossible and impracticable. There is no way in which the rate of freight can be regulated, because it is not an interstate trade, but is an international trade, and you have to consider so many points that will bear upon the making of the rate in the ocean transportation. If you come to the trans-Atlantic traffic where you are in daily. I may say hourly, competition with other grain producing countries, such as the River Plate, Australia, the Black Sea, Russia, etc., you must have a rate that will put you in competition with those markets, or you are out of it.

Mr. HARDY. Your idea is that this transportation system has the right, and probably it is best for them, to equalize distances, to do away with inequalities, to make the American merchant as close to South America as the European merchant is, and vice versa?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. In other words, in a great many cases to do away with the laws of nature and the obstacles intervening by natural conditions and to equalize the things according to your plan of general distribution?

Mr. GOTTHEIL. Well, it is not my plan of general distribution!

Mr. HARDY. The plan of the system of general distribution?

Mr. GOTTHEIL. Yes; always bearing in mind, of course, that every transportation company has to consider its customers and constituents.

Mr. HARDY. I think that is exactly on a parity with the reason of the railways that they should regulate distances between cities rather than that the geography should do it; fix the rate according to their own discretion; and your idea is that some such plan as that is the best?

Mr. GOTTHEIL. Yes; but with the railroads the position is different. The railroads have a franchise; they have a fixed rule on which they are operating; but here you have thousands and thousands of steamers that will go from one place to another, wherever they get the best market. Supposing by Government regulation you put the rate of freight to Brazil on case oil up to 30 cents, and you say to the steamship company, "That is your rate of freight." The Standard Oil Co. knows the condition of the freight market; no one is better posted than they are; they know they can get a ship to carry that shipment at 25 cents. Where is your regulation going to come in? The ocean is free, open; the ocean is free for competition. You create competition the moment you go beyond a certain point, and what is more you take these steamship lines. you can not bind them down on an impossible proposition, because they can go anywhere; they are not tied like the railroad is in a certain direction. They have got the whole world before them, and as such they can go and do what they please.

Mr. HARDY. You do, however, realize this fact, that if you would raise your rates too high, such customers as the Standard Oil would get their own transportation and would not stand for it?

Mr. GOTTHEIL. They would charter in the open market and would stand for it.

Mr. HARDY. And, as long as the seas are as they are, they can do that?

Mr. GOTTHEIL. Yes, sir; and any shipper can do it on volume.

Mr. HARDY. Any shipper who has vast resources can do it?

Mr. GOTTHEIL. Yes.

Mr. HARDY. But the ordinary shipper can not do it, can he?

Mr. GOTTHEIL. No; but the moment you take away the large basis of certain commodities, and which you must have, you destroy the whole business, or you create a condition by which the balance of the cargo will have to pay such a high rate of freight that the business will become impossible.

Mr. HARDY. What is to prevent you from catering to Mr. Rockefeller or to Standard Oil by giving them such rates as will cause them not to enter into competition, and make it all up on the smaller, helpless shippers who could not fight you?

Mr. GOTTHEIL. It is entirely against the interest of the steamship companies to build up big shippers. The more you cater to big

shippers the worse you will be off, because by and by that big shipper will have so much business that he will not need you at all.

Mr. HARDY. But you are going to cater enough to keep him out of the business, if possible, and in order to do that, you will take a little from the fellow that can not resent to protect the fellow that can?

Mr. GOTTHEIL. You have heard the testimony here, that rates are made equal.

Mr. HARDY. Yes; but is not that just a little contrary to your interest? Is not it to your interest to give Standard Oil, or any big shipper some advantage over the fellow that is helpless?

Mr. GOTTHEIL. The shipper of a large volume of business is in a position where he can, to a certain extent, dictate terms.

Mr. HARDY. As far as giving anybody else a similar contract on a similar amount of shipments, that seems to be an equality, but, as a matter of fact, very few shippers could give you such contracts; is not that the case?

Mr. GOTTHEIL. As far as the case oil is concerned, yes.

Mr. HARDY. Well, as far as the farming implements or the Steel Trust is concerned also, is it not true?

Mr. GOTTHEIL. Of course, before the International Harvester Co. was formed there was a pretty equal division of the whole business, and there was not any question about giving one man a lower rate or a higher rate than the other man.

Mr. HARDY. But now the Harvester Co. can give you a contract that nobody else can give you, can they not?

Mr. GOTTHEIL. There are no shipments of agricultural implements, to my knowledge, outside of the Harvester Trust, excepting one concern in Canada, and they get always the same rate as the International Harvester Co. gets, although their shipments are not anywhere near as large as the shipments of the Harvester Trust; at least that is my experience.

Mr. HARDY. In times past, is it not your information that many of these vast accumulations have been made by obtaining special terms from transportation companies; that they have built up their strength by getting better terms than their competitors?

Mr. GOTTHEIL. That may have been done in times past; yes.

Mr. HARDY. Now, in effect, do not these larger concerns, like the International Harvester Co., get better terms than the ordinary shipper?

Mr. GOTTHEIL. No, sir.

Mr. HARDY. You are ready to give the same contract to anybody else, I understand, but as I understand also, nobody else can give you that contract?

Mr. GOTTHEIL. I have just stated here and given you a concrete example.

Mr. HARDY. You have given one. Is there anybody else in the United States who can give you such a contract?

Mr. GOTTHEIL. I have no knowledge of anybody else shipping agricultural implements.

Mr. HARDY. They all ship through the Harvester Co., if they ship at all, do they not?

Mr. GOTTHEIL. Yes; the Harvester Co. do the business direct, I believe, with one exception, where on the River Plate trade a com-

mission house seems to control the movement to that country, and where, of course, the commission house really has to take the position of the trust.

Mr. HARDY. I have no other questions.

Mr. GOTTHEIL. I should like to say furthermore, in answer to what has been stated here in regard to the position taken by the railways as to their right to go ahead and make rates, that the railways are in a different position, as their vehicle of carriage has no charter value at all in the market, while, of course, the steamship companies have the competition of the owners of the world to consider, and there is a distinct market value established which must always be kept in mind; you can not go beyond it and you should not go below it.

The CHAIRMAN. As I understand, you think it would be impracticable and undesirable for the reasons you have mentioned, for the various traffic agreements and the rates in the ocean carrying trade, to be filed with the Interstate Commerce Commission or some other tribunal?

Mr. GOTTHEIL. Yes, sir; that is not possible.

The CHAIRMAN. What would you say about publicity; that is, that the agreements between the several lines in these several trades should be filed with some governmental tribunal and subject to reasonable supervision?

Mr. GOTTHEIL. Of course, Mr. Chairman, if you had not added the last clause, the reasonable supervision, which is rather a broad question—

The CHAIRMAN (interposing). Take the first part of that question, filed, we will say, with an Interstate Commerce Commission to give publicity?

Mr. GOTTHEIL. Yes; and in doing so to have the right and the permission that has existed to continue the same.

The CHAIRMAN. And suppose the law would go further and prohibit rebating.

Mr. GOTTHEIL. I believe that it would meet the issue if it was only exacted that agreements should be filed. I believe furthermore, however, that whatever the department may be, they should keep these agreements and consider them as private. In England, when an investigation was held, agreements were surrendered very freely, for the simple reason that nothing was published. It does not seem fair that everybody should know everybody else's business. I think that under those conditions it would probably meet the question and prove satisfactory. As far as the rebate question is concerned, I so heartily indorse the views expressed here that I believe a rebate system should be established to the protection of a line of steamers that is operating satisfactorily and has been operating satisfactorily against the attack from sporadic steamship owners, who have no interests to conserve, who just, for selfish reasons, perhaps, put a steamer on and disorganize the whole traffic. There are speculators in the market who would be ready to speculate and upset almost any arrangement.

Mr. HARDY. You do not think, however, the fact that various governments spend untold millions in the improvement of harbors and in the deepening of waterways gives them any right of supervision over your actions as public carriers?

Mr. GOTTHEIL. I think the money is spent in these harbors for the benefit of the harbors and the benefit of the general trade. If the harbors are made deep enough to allow the entry of large vessels, of course the transportation rates will immediately decline, because it is a well-known economic fact that the larger the ship the cheaper the transportation costs and the lower are the rates of freight. The moment you take away this advantage, up will go the rates of freight, and I think that the people at large are benefited more than the steamship companies by these works.

Mr. HARDY. The people at large are benefited, or else the Government would betray its trust in making these improvements. But in the same way public roads are built through public taxation, and are for the public benefit, although those who use them are sometimes charged for their use; they are certainly controlled in the use of them.

Mr. GOTTHEIL. So far as a charge is concerned it does not make a bit of difference, for whatever you charge goes into the freight.

Mr. HARDY. But whenever you begin to use a public vehicle, whether it be a railroad or a port, for the purpose of following your occupation or calling, you become a part of the public function yourself, do you not?

Mr. GOTTHEIL. We become common carriers at sea.

Mr. HARDY. And as common carriers subject to right regulation, whatever that may be. Whether you were or were not, you ought not be subject to any injustice, but under your views you would endow your transportation companies ultimately with autocratic power in their discretion as to rates, without any influence from anybody; is not that the situation you reach?

Mr. GOTTHEIL. I do not think there would be any autocratic power. I have stated several times in my testimony, and I wish to repeat it, that there is a world-wide competitive market controlling the actions of everybody. You can not be autocratic, because if you are you cut off your own nose to spite your face. The trade has got to be catered to, and you have got to be reasonable, and the action of the lines during the last five or eight years shows that they have created a clientele that is friendly, and some of them extremely friendly, because they know that such a thing as autocratic demands do not exist. Now, I do not think it is possible that anybody would ever be able to assume the position of a dictator in this trade, because if they did they would have competition to-morrow. Ships can be brought to a port in no time. A railway can not be built at once.

The CHAIRMAN. You may be excused for the present, with this understanding—that you will be subject to call at some future time under your subpoena.

**TESTIMONY OF MR. WILLIAM BOYD, OF NEW YORK CITY,
PRESIDENT OF HOULDER, WEIR & BOYD.**

Witness sworn by the chairman.

The CHAIRMAN. Give your name and state the line or lines you represent.

Mr. BOYD. My name is William Boyd; I am president of Houlder, Weir & Boyd. We represent the American & Oriental Line in the trade between New York, China, and Japan and the Far East. and

the American Rio Plata Line, which trades between the United States and Argentine ports.

The CHAIRMAN. Yours is an American company, is it?

Mr. BOYD. It is; yes.

The CHAIRMAN. Is it an American corporation?

Mr. BOYD. Yes, sir.

The CHAIRMAN. But your ships operate under a foreign flag?

Mr. BOYD. Under the British flag.

The CHAIRMAN. And your company is owned by American citizens?

Mr. BOYD. No; the steamers are owned by owners in Great Britain, but the line belongs to us. We organized it and we have induced those owners to put their boats in our service. They get the results of the service and we get a commission for running the line and operating the service.

The CHAIRMAN. Just explain that to us, so we will understand what the situation is. What owners abroad are there from whom you charter boats? You do not own them, do you?

Mr. BOYD. No, sir.

The CHAIRMAN. Just give us your arrangement, briefly.

Mr. BOYD. Well, four shipowning firms, Andrews, Weir & Co.; Houlder, Middleton & Co.; Joseph Chadwick & Son.; and Thomas Dunlop & Son own those steamers. We have induced these owners to come into the New York and River Plata trade. They give us their boats to load. We load them, and for loading them we get a percentage on the earnings of those boats. The earnings of the boats go to the vessels.

The CHAIRMAN. And they are known as the American & Oriental Line?

Mr. BOYD. The American Rio Plata Line.

The CHAIRMAN. And the American Oriental Line operates to China, Japan, and the Philippines?

Mr. BOYD. The American Oriental Line is rather on a different basis. It is an English line under a trade name.

The CHAIRMAN. Tell us just what that arrangement is.

Mr. BOYD. Well, we are simply agents for that line. It is operated by steamers belonging to the Prince Line, Weir & Co., and Houlder, Middleton & Co.

Mr. HARDY. Has your line that operates these ships on commission any capital itself?

Mr. BOYD. Our firm has no capital invested in the line.

Mr. HARDY. You are not connected with this line, then?

Mr. BOYD. No; we have no financial risk in the line.

Mr. HARDY. This line, then, is run by you, and without capital invested in it by you?

Mr. BOYD. Yes.

Mr. HARDY. On a commission basis entirely?

Mr. BOYD. Exactly.

Mr. HARDY. What is the difference between your system and acting as agent, as you do, for the other lines running to China?

Mr. BOYD. Only this, that we look upon the River Plata trade as our trade. We started it, and at some times have operated it by chartered boats. It is really our business, and should those owners

who now give us their boats withdraw their boats from that trade, we would certainly endeavor to keep it up ourselves.

Mr. HARDY. But, in substance, the benefit inures practically the same in the two cases?

Mr. BOYD. Yes, sir.

The CHAIRMAN. I understand that as to that particular trade you use those boats as vehicles to carry on the trade, the earnings going to the owners, and you getting a certain commission?

Mr. BOYD. Yes, sir; exactly.

The CHAIRMAN. And you prefer that arrangement to the arrangement which you had formerly, under which you chartered boats from time to time for the freight?

Mr. BOYD. Yes, sir.

The CHAIRMAN. You heard the testimony of Mr. Gerhard and Mr. Halm, did you not, with reference to the trade to Argentina and the River Plata?

Mr. BOYD. I did.

The CHAIRMAN. We do not care to go over all that in detail. State to the committee if they have outlined and stated to the committee, in substance, the facts as related to that trade.

Mr. BOYD. I should say they have, exactly.

The CHAIRMAN. And as related to yourselves, as well as to them?

Mr. BOYD. Yes. I would only say that there was a little difference in this respect—at least, not a difference, but I would like to say here that we are rather doubtful of some evidence which has been given here as to monopoly, because within the last five years we have fought our way into that so-called monopoly. We are the latest comers in the trade.

The CHAIRMAN. In other words, you worked up to that point where they were bound to take you in?

Mr. BOYD. Yes.

The CHAIRMAN. In the combination?

Mr. BOYD. Yes.

The CHAIRMAN. You have fought your way in?

Mr. BOYD. We have fought our way in, and I really bring that point forward to show that it can be done and that there is no such thing as monopoly.

Mr. HARDY. Would you briefly tell us how you got in?

Mr. BOYD. Well, perhaps some one else would like to know that. There is no secret about it; we simply fought our way in. We simply stuck out long enough to show the other fellow we were in earnest.

Mr. HARDY. Do you charter boats and seek trade?

Mr. BOYD. We do charter boats, arrange for the boat's load, and, as you say, seek trade.

Mr. HARDY. Did you find difficulty because of rebates in the trade?

Mr. BOYD. There were rebates in the trade when we went into it.

Mr. HARDY. Did you find that sometimes a great obstacle in getting in?

Mr. BOYD. It was with some people. It hindered us in getting in with some people, for a time.

Mr. HARDY. Did you ever try the Brazilian coffee market and try to get some shipments of coffee from that section?

Mr. BOYD. No.

Mr. HARDY. Where did you find rebates standing mostly in your way while you were struggling to get in?

Mr. BOYD. We were only struggling to get in on the downward trade—that is, from New York to Argentina.

Mr. HARDY. The rebate system was prohibited by law for here, was it not?

Mr. BOYD. I believe not at that time.

The CHAIRMAN. What other lines operate to the River Plata?

Mr. BOYD. Besides our own?

The CHAIRMAN. Yes.

Mr. BOYD. The Lamport & Holt, Houston, Barber, Prince Line, and Norton & Son.

The CHAIRMAN. The same agreements both as to the downgoing from this country and the incoming from the River Plata, are in existence and apply as stated by Mr. Halm and Mr. Gerhard?

Mr. BOYD. Understand, we do not run the boats from Argentina to the States at all. When our boats have to come back from there they come back in ballast. As a rule, if profitable freight is offering, we go from the Plata to Europe and come across from Europe again in ballast if the same boat should be coming here.

Mr. HARDY. You do not bring freight from Europe to New York?

Mr. BOYD. We have, on very rare occasions, when we could get it.

Mr. HARDY. Your route is to go from here south, and then across to Europe and come back in ballast?

Mr. BOYD. Yes.

The CHAIRMAN. You take freight from Argentina to Europe?

Mr. BOYD. Yes.

The CHAIRMAN. Why is it you do not come back loaded from Argentina here?

Mr. BOYD. Because there is no volume of business from Argentina here to enable all the boats which go down to the Plata to come back with cargo.

The CHAIRMAN. Which line, under the agreement, has that trade?

Mr. BOYD. I should say the Houston has the biggest part of that trade.

The CHAIRMAN. It is understood that he shall have it?

Mr. BOYD. No; we have no agreement whatever about that. We have, at our own discretion, refrained from going in there, because we thought we could do better elsewhere.

The CHAIRMAN. And your agreement simply relates to trade from ports here to the River Plata?

Mr. BOYD. Our agreement simply is that we will maintain entirely tariff rates. We have no other agreement with the Houston or any of the other lines in the Plata trade.

Mr. HARDY. Have you any agreement as to what tariff you will maintain coming back, northbound from Argentina?

Mr. BOYD. No, sir.

Mr. HARDY. Does your agreement contemplate that you shall not bring freight back from there?

Mr. BOYD. No.

Mr. HARDY. You have left that open, but do not avail yourself of it or try to bring any back?

Mr. BOYD. We do not, although it is open.

Mr. HARDY. Is it discretion which prevents you trying to get into that trade, or is that your choice?

Mr. BOYD. That is our choice, under market conditions.

The CHAIRMAN. It is charged that the Houston Line, under the operation of their deferred rebate agreements with shippers in the River Plata trade, have practically shut you out from northbound cargoes.

Mr. BOYD. It may be true that the Houston has rebate agreements in the River Plata. I do not know. I have never looked into the question at all. We have never considered loading on the berth from the Plata, because our freight agents have advised us that there is not cargo to warrant our going into that market.

The CHAIRMAN. That is, not available for you?

Mr. BOYD. Not available for us.

The CHAIRMAN. Did they also inform you that the reason for that was that the merchants there were bound by deferred-rebate agreements to the Houston Line, and hence, for that reason, there was no opening for you?

Mr. BOYD. No, sir. They have advised us that the volume of tonnage moving from the River Plata to the United States is not worth fighting for. They have advised us that the Houston boats and the Lamport & Holt boats, which do load on that berth, very often leave with practically half a cargo; sometimes less and sometimes more; but the gist of their advices is that the trade is not worth considering. Therefore, we have not considered it. If they should, later on, advise its development, and they think it would be a good thing for us to get into that trade, there is absolutely nothing to hinder us, no agreement or any other thing, except expediency, why we should not go into it.

Mr. HARDY. If you go down there and can not find a cargo for Europe what do you do with your boat—take it away in ballast to Europe? If you fail to get a cargo from Argentina, would you go from there to Europe in ballast?

Mr. BOYD. Yes; we have sometimes had a boat go from the Plata as far as Dalny, in Russia, in ballast.

Mr. HARDY. If, when you come from there, you do not bring anything back to the port of New York from Europe, what is the purpose of taking a European trip?

Mr. BOYD. Where are we now, Mr. Hardy? We are in Dalny.

Mr. HARDY. In Russia?

Mr. BOYD. Yes; Asiatic Russia, which I believe now belongs to Japan.

Mr. HARDY. Then you do bring freight from there back to America?

Mr. BOYD. No. On this particular occasion you asked in your question what we did if we could not get a cargo back to Europe.

Mr. HARDY. Yes.

Mr. BOYD. I am telling you we send the boat wherever we can get a cargo. On this particular occasion we sent it to Dalny and brought a cargo of beans from Dalny to Holland, which at that time was the best business offering.

Mr. HARDY. It then became a question of your being a free lance on the sea, as far as that shipment is concerned?

Mr. BOYD. Yes, sir.

The CHAIRMAN. Without any particular destination?

Mr. BOYD. Yes, sir.

The CHAIRMAN. What other trade are you engaged in, Mr. Boyd?

Mr. BOYD. The trade from New York to China, Japan, and the Philippines.

The CHAIRMAN. What other lines are engaged in that trade that are in conference or agreement with your line?

Mr. BOYD. The lines in agreement with us are the U. S. & C. J. Line (the United States & China and Japan Steamship Co.), the America & Asiatic Co., and the Barber Line.

The CHAIRMAN. That is the trade to which Mr. Gottheil testified?

Mr. BOYD. Yes, sir.

The CHAIRMAN. Without going into details, is the arrangement between your line and the other lines substantially as testified to by him?

Mr. BOYD. It is.

The CHAIRMAN. Have you any contracts with shippers in that trade, or in the Argentine trade?

Mr. BOYD. We have; yes.

The CHAIRMAN. Have you them here?

Mr. BOYD. No, sir.

The CHAIRMAN. Could you furnish the committee with them?

Mr. BOYD. Yes. I did not bring any contracts, because my subpoena called for "any contracts which showed a special rate or a rebate," and not having any such contracts, I did not bring them.

The CHAIRMAN. I will ask you if there are any contracts or agreements in existence between your line, or between your line and shippers, and the American Oriental Line, and the American Rio Plata Line, respecting the giving or receiving of rebates, the giving or receiving of special rates or privileges, or providing for the payment of rebates to shippers, deferred or otherwise, as regards the River Plata or the oriental trade?

Mr. BOYD. We have no such contracts.

The CHAIRMAN. You say you have some contracts with shippers in both of these trades? Can you furnish to the committee copies of some of those contracts?

Mr. BOYD. With pleasure. Those are just everyday contracts.

The CHAIRMAN. You will do so then, will you?

Mr. BOYD. Yes, sir; how many do you want, say a dozen?

The CHAIRMAN. Oh, if there is any difference between them, one of each kind will be sufficient.

Mr. BOYD. I will send you a fair sample.

The CHAIRMAN. Yes. We simply want, you understand, the different contracts.

Mr. BOYD. Yes.

Mr. STEPHENS. Are your contracts generally made with large shippers?

Mr. BOYD. A few with large shippers, because there are only a few large shippers. The majority of our contracts are with small shippers.

Mr. STEPHENS. Do you give a small shipper the same rate of freight you do to the large shippers?

Mr. BOYD. Exactly the same.

Mr. STEPHENS. Is the contract open for any length of time? Do you have one time to make contracts, or is that open always?

Mr. BOYD. Any time a shipper cares to contract we are willing to contract with him.

Mr. STEPHENS. If you make a large contract with a shipping firm to-day, are you ready in 10 months—if they are made for one year—are you ready in 10 months to make the same kind of a contract, giving the same rate, to a small shipper for the balance of the year?

Mr. BOYD. For the two months?

Mr. STEPHENS. For the two months.

Mr. BOYD. Yes.

Mr. HARDY. It occurs to me that maybe you might have reasonably held to yourselves the right not to do that kind of thing. Suppose tonnage has gone up in the meantime, very much from what it was when you made the contract at the beginning of the year. Now, the 1st of October comes and tonnage is very much higher than it was when you made that contract; would you still give the balance of the two months on the same rate that you now give?

Mr. BOYD. In the River Plata trade that has been the policy.

Mr. HARDY. You hold that rate for the contractual year as a unit?

Mr. BOYD. Yes.

Mr. HARDY. And make the trades uniform during that year?

Mr. BOYD. Yes.

Mr. HARDY. It seems to me you are more than fair.

Mr. STEPHENS. The contracts you make with those shippers are generally at less rates than the regular tariff rates?

Mr. BOYD. Yes and no. Some of the contracts are at less than the tariff rates. Others, if the shippers wish to be protected against a rise in the tariff, are at the tariff rate. In other words the contract may be at the tariff rate when made, but before the ship gets there it may be less than the tariff rate.

Mr. STEPHENS. But, generally speaking, the rate is a less one than that carried by the regular tariff?

Mr. BOYD. Yes, sir.

The CHAIRMAN. That is all at present, Mr. Boyd.

Thereupon, at 4.10 p. m., the committee stood adjourned until Tuesday, January 14, when hearings will be renewed.

JANUARY 17, 1913.

The committee met at 10.30 o'clock a. m.

Present: Representatives Alexander (chairman), Hardy, Stone, Ayres, Humphrey, Collier, Thayer, Faison, Greene, and Stephens.

STATEMENT OF MR. A. H. BULL, OF A. H. BULL STEAMSHIP CO., 8 BRIDGE STREET, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Do you care to make a statement to the committee before we interrogate you?

Mr. BULL. I am at the committee's pleasure.

The CHAIRMAN. We will hear your statement if you have one to make.

Mr. BULL. About the year 1870 I started a small sailing-vessel line to Porto Rico. I worked along until finally we got to running

steamers. After running steamers for about nine months we met with competition, and we had to drop our freight down to 10 cents a barrel for a while. As we could not stand that very long, we made peace with our competitor, amalgamated, and formed the New York & Porto Rico Steamship Co.

The CHAIRMAN. Who was your competitor then?

Mr. BULL. J. M. Ceballos & Co. and others. We each contributed half the capital. My partner and I owned one half, our competitors the other half. They were to have three directors and we two. We were to have the business done in our name. We ran that along until about 1900, and then my partner was dissatisfied because his interest was not as great as mine, and for some other reasons, and he wished to sell out. He informed me that if I did not buy he would sell out to the other people. The other half made me an offer to buy or sell. As I could not buy, as practically all I had at that time was in the New York & Porto Rico Steamship Co., I was forced to sell. In order to get out the money I had in it I signed a bond to stay out of the Porto Rico business for 10 years. I have a copy of that bond here. About a year previous to the expiration of my bond I met the vice president and manager of the New York & Porto Rico Steamship Co. and told him I saw that he had two steamers the same as ours. He said yes, he had those steamers so that if we went into the Porto Rico business, his company—which was the Atlantic, Gulf & West Indies Steamship Co., a combination of four lines: The New York & Porto Rico Steamship Co., the Mallory Steamship Co., the New York & Cuba Mail Steamship Co., and the Clyde Line—his company would build just such steamers as we were building.

I am a little ahead of my story. After Mr. Mooney told me that they intended these steamers that he had lately acquired for the general coastwise business, I reported to my partners and we decided that we had better take every method to protect ourselves. To do so we made long contracts to carry freight; those contracts are still in existence. We are still carrying freight under those contracts.

About a year after the expiration of that 10-year bond the chartering department of these amalgamated steamers sought to enter into our field, and we thought then that we should enter into the Porto Rico business, which we did, making a contract with some of the sugar people there to bring their output out of Porto Rico.

Just about the time we did so, or before doing so, I saw several of the members of the New York & Porto Rico Steamship Co. and told them that I thought it would be a great loss, and that the matter ought to be compromised. They did not seem to be willing to compromise; at least, there was no compromise made, and we entered into the business.

The CHAIRMAN. You say "we." To whom do you refer?

Mr. BULL. To the A. H. Bull Steamship Co.

The CHAIRMAN. When was that company organized?

Mr. BULL. That company was organized—that has already been answered—

The CHAIRMAN. June 19, 1902?

Mr. BULL. Yes, sir; 1902. We entered into business with a cut of 20 per cent below the regular tariff.

The CHAIRMAN. Twenty per cent on sugar?

Mr. BULL. No; that was on general cargo at large.

The CHAIRMAN. From what point to what point?

Mr. BULL. From New York to San Juan, Mayaguez, Ponce, and the other ports in Porto Rico. At the time we entered into the business there were three lines running to Porto Rico besides our own.

The CHAIRMAN. What lines were those?

Mr. BULL. The New York & Porto Rico Steamship Co., the Insular Line, and the Red D Line.

Mr. HARDY. Mr. Bull, could you have made a profit if you had continued to run on that 20 per cent under the regulation rates?

Mr. BULL. Will you please repeat the question?

Mr. HARDY. Could you make a profit at a 20 per cent cut under the regulation rate?

Mr. BULL. Yes, sir; a good profit. The 20 per cent was very little lower, only about 3 or 4 per cent, than the Insular Line was then carrying freight for, as they had what they called a system of discount, a discount of 4 to 12 per cent. I have their circular in which they mention that discount.

The CHAIRMAN. That is, they mention the discounts they were giving to shippers?

Mr. BULL. That they had previously given.

The CHAIRMAN. Those discounts are from the published tariffs?

Mr. BULL. From the New York & Porto Rico Steamship Co.'s tariffs, which seem to have been a standard. They sent out another circular stating they would make a cut of 50 per cent—that they would now make a cut of 50 per cent.

The CHAIRMAN. That is, 50 per cent from the published tariff?

Mr. BULL. From the published tariff.

The CHAIRMAN. Of the New York & Porto Rico Steamship Co.?

Mr. BULL. Yes, sir; and that later it would be 60 per cent, and 70 per cent would follow.

The CHAIRMAN. Have you got that circular?

Mr. BULL. I have that circular. I have circulars and shipping cards—

The CHAIRMAN. Hand them to the stenographer to be noted as exhibits.

The 3 circulars and 16 cards referred to were marked, respectively, "Exhibit No. 46," "Exhibit No. 47," "Exhibit No. 48," and "Exhibit No. 49," and filed with the committee.

EXHIBIT No. 46.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

NEW YORK, November 15, 1911.

To shippers and consignees of the Insular Line.

DEAR SIR: We beg to advise that our policy of meeting cut-rate competition, as outlined in our circular letter of July 12 last, will be continued until further notice, except on coke, coal, cement, lumber, cars and locomotives, kerosene, gasoline, dynamite, rails, flour, corn meal, rice, automobiles, machinery and boilers, or merchandise in excess of 2,000 pounds weight per piece. On these commodities special rates will be quoted on request.

Please note that in the weeks in which we give a discount greater than our established discount the discount will be 70 per cent from the Porto Rico Line tariff. If you are quoted higher rates than these by anyone else, we would suggest that you communicate with us before booking freight.

Whenever there is any change from the above we shall give due public notice, either by advertisement or circular letter.

Very truly, yours,

WILLIAM E. PECK & Co., Agents.

EXHIBIT No. 47.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

NEW YORK, November 23, 1911.

To shippers and consignees of the *Insular Line*.

DEAR SIR: Owing to the fact that we have yielded to the solicitations of various shippers to the extent of accepting more freight to go on a certain steamer than the steamer could possibly carry, and in consequence subjected ourselves to severe criticism from shippers and consignees for not carrying goods which the steamer was physically unable to take care of, but for which bills of lading had been signed, we have decided that hereafter we shall permit and accept only such cargo as can be carried on the scheduled sailings, and any cargo sent to our pier, either by truck or lighter, without a permit or in excess of the permitted quantity or after the time specified on the permit has expired will not be accepted.

At the present time cargo is offered to us for every steamer largely in excess of the carrying capacity of the steamer. Please note that in order to do full justice to all shippers and consignees requests for space should be handed in to us previous to 3 p. m. on Monday of the sailing week, and if the requests are in excess of the capacity of the steamer the requests will be cut down proportionately, so that we shall not be under the necessity of leaving any cargo behind for which we have signed bills of lading.

Inasmuch as the Bull Line steamer originally intended to sail on the 23d will not sail this week, on our steamer *Grayson*, scheduled to sail on Saturday, November 25, we would be justified in charging regular tariff rates under our circular of July 12, 1911. This would, however, work a hardship on the shippers and consignees by our line, all of whom expected reduced rates this week. We shall, therefore, consider the *Grayson* as being in competition with the Bull Line steamer which will commence loading this week, and which will probably sail on the 27th and will give reduced rates on the *Grayson* to competitive ports.

In addition to the sailing advertised for this week, the Bull Line originally promised a steamer to sail next week. This, however, has been withdrawn, and they are advertising their steamer *Ruth* to sail on Tuesday, December 5. Many shippers, relying on the fortnightly service of the Bull Line, figured that next week would be a cut-rate week, and, rather than disappoint these shippers, we beg to announce that our sailing scheduled for December 2 will be considered as being in competition with the postponed sailing of the Bull Line now advertised to sail on December 5, and reduced rates will accordingly be given to competitive ports.

Our friends have overburdened us with cargo both for this week and next week, and we have therefore decided to put on two steamers, both at reduced rates, to competitive ports, to sail in the week of December 2. Names and ports will be duly announced by usual card. We call your attention to the fact that we are now giving four sailings in succession at reduced rates, as against three sailings of the Bull Line.

The above-mentioned withdrawn and postponed sailings have led to many questions in reference to which boats of ours will give the reduced rates. In order to do away with any further uncertainty in this respect in the matter of future sailings please note that—

Hereafter and until further notice we shall give reduced rates to competitive ports as many times per month as there are sailings of the Bull Line, and we shall announce on our sailing cards as to whether our steamers will or will not give reduced rates to the competitive ports.

INSULAR LINE (INC.).

NOTE.—Our steamer *F. J. Luckenbach* sailed November 18 and left on pier 27, Brooklyn, some cargo, which will go forward by steamer *Grayson* this week. Most of this cargo was covered by bills of lading signed on the *F. J. Luckenbach*, and it is not possible at present to tell just what did not go forward. Please

notify your underwriters that your shipments by *F. J. Luckenbach* may have been split between her and the *Grayson* and have them protect you accordingly.

EXHIBIT No. 48.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

New York, July 12, 1911.

To shippers and consignees of the Insular Line.

DEAR SIRS: Since the Insular Line started, five years ago, it has always given lower rates than any other steamship line running to Porto Rico and has increased its service, both of which factors have built up the trade with Porto Rico. Our sailings have been regular, we have tried to show shippers and consignees every courtesy, and we believe that the majority of the trade appreciate what we have done.

About four months ago new competitors came into the field, with the idea of forcing us to withdraw. Having spent five years in developing the business, we declined to withdraw, and a cut-throat competition was immediately started. Notwithstanding all said in the circulars issued from time to time by such competitors calling attention to the existing low rates, for which rates said competitors claim the sole credit, we would point out that when they started they used as a basis the tariff of the Porto Rico Line, less a discount of 20 per cent, which clearly indicated what they thought the rates should be. As we were at the same time giving discounts varying from 10 per cent to 16½ per cent, the rates quoted were only slightly lower than ours.

We call attention to the fact that for five years we have uniformly maintained the lowest rates quoted to shippers. Owing to the fact that we immediately bettered their discount, said competitors then made a further and unwilling reduction, which we likewise met and exceeded. On May 15, in order to fully protect our friends, and as our competitors had no regular tariff, but were apparently quoting different rates on every steamer, we issued a circular saying that the Insular Line would give rates 5 per cent less than those quoted by the Bull Line, in competitive weeks to competitive ports. This promise we have lived up to in every respect and have protected our friends to the best of our ability, but owing to the fact that no regular tariff has been issued by our competitors, and the further fact that different shippers report to us different rates on the same commodity shipped on the same steamer, we feel that we should now state to our shippers that by the *Julia*, sailing July 15, 1911, we have quoted rates averaging about 50 per cent below the Porto Rico Line tariff rates and that by the next steamer sailing in the same week with a vessel of the Bull Line we will make a further reduction to all competitive ports, so that the rates to such ports will be 60 per cent below the Porto Rico Line tariff rates.

These rates will not apply to coke, coal, cement, lumber, cars and locomotives, kerosene, gasoline, dynamite, rails, machinery and boilers, or merchandise in excess of 2,000 pounds weight per piece, on which articles we will quote special rates from time to time upon request.

Minimum B/L \$1, no parcel receipts.

In the weeks in which the Bull Steamship Co. do not sail a steamer we shall, of necessity, have to charge our regular tariff rates, so as to be able to maintain the service in such weeks.

We feel that the trade with Porto Rico in order to flourish requires a weekly service at steady and reasonably remunerative rates rather than infrequent sailings at fluctuating tariffs and cut rates which can not be permanent. We feel also that the importers in Porto Rico will make no greater profit from their business with fluctuating tariffs and cut rates than under our former regular, reasonable, and steady rates, which were the same for every shipper, yet we feel that we, who have always quoted lower rates than any other steamship line in the field and who have quoted uniform rates to all shippers of the same kind of merchandise by the same steamer, can not now allow our competitors to take credit to themselves for the present reductions in rates which were forced upon them by us. The policy of this company has been and will at all times continue to be based upon giving our customers the lowest rates to Porto

Rico, so that in the near future shippers may expect to see as much as 70 per cent discount from the Porto Rico Line tariff rates.

INSULAR LINE.

Copies of this circular are being issued in Porto Rico, and extra copies of each can be obtained at this office.

EXHIBIT No. 49—1.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NEW YORK, May 1, 1911.

NOTICE No. 1.

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer, we guarantee that our net rate to the same ports by a steamer sailing in the same week will be as low as or lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

INSULAR LINE (INC.),
116 Broad Street, New York.

Telephone, 6050 Broad.

EXHIBIT No. 49—2.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NEW YORK, May 15, 1911.

NOTICE No. 1.

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer, we guarantee that our net rate to the same ports by a steamer sailing in the same week will be 5 per cent lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

INSULAR LINE (INC.),
116 Broad Street, New York.

Telephone, 6050 Broad.

EXHIBIT No. 49—3.

[Insular Line (Inc.). William E. Peck & Co., agents.]

American steamship *Harry Luckenbach* will sail at noon Saturday, June 17, 1911, from Pier 27, Brooklyn, for San Juan, Mayaguez, Ponce, Arroyo, and Arecibo. Also Fajardo by transshipment.

Truck freight will be received from 7 a. m. June 12 to 5 p. m. June 15.

Lighter freight will be received in accordance with permit.

INSULAR LINE (INC.),
116 Broad Street, New York City.

Office phone, 6050 Broad.

Pier phone, 675 Hamilton.

EXHIBIT No. 49—4.

[Insular Line (Inc.). William E. Peck & Co., agents.]

Having heard from several sources that the Bull Line have told shippers that we could not or would not have a steamer to sail next week in competition with their steamship *Ruth*, please note the following:

Our steamship *Harry Luckenbach*, now in port, will sail next week for San Juan, Mayaguez, Ponce, and Arroyo, and will accept freight in accordance with

permits at a discount of 60 per cent, as stated in our circular of July 12. Sailing cards giving exact date will be issued to-morrow.

We further announce that in the next week in which the Bull Line have a sailing we will also dispatch a steamer, on which we will accept freight in accordance with permits, and the rate of discount will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circular of July 12.

INSULAR LINE.

NEW YORK, July 18, 1911.

EXHIBIT No. 49—5.

[Insular Line (Inc.). William E. Peck & Co., agents.]

Please note the following:

If Bull Line sail steamer next week, as advertised, our discount to competitive ports on our sailing for August 5, as per separate sailing card, will be 70 per cent as stated in our notice of July 18.

We further announce that in the next week in which the Bull Line have a sailing, we shall also dispatch a steamer, on which we will accept freight only in accordance with permits, and the rate of discount to competitive ports will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circulation of July 12.

INSULAR LINE.

NEW YORK, July 27, 1911.

EXHIBIT No. 49—6.

[Insular Line (Inc.).]

Our next sailing will be the *S. V. Luckenbach*, Saturday, May 4, 1912, from Pier 27, Brooklyn, at reduced rates, for San Juan, Mayaguez, and Ponce. Also call at Arroyo at regular rates.

Freight will be received only in accordance with permit which must be obtained from

WM. E. PECK & Co., Agents,
116 Broad Street, New York City.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

EXHIBIT No. 49—7.

[Insular Line (Inc.).]

Will have two steamers sailing on Saturday, May 18, 1912, from Pier 27, Brooklyn: Steamship *Yaguez*, for San Juan and Mayaguez, at reduced rates; steamship *Borinquen*, for Ponce, at reduced rates; Arroyo, at regular tariff. Separate lighter deliveries each steamer.

Freight will be received only in accordance with permit which must be obtained from

WM. E. PECK & Co., Agents,
116 Broad Street, New York City.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

EXHIBIT No. 49—8.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NOTICE.

As the Bull Steamship Co. have failed to keep their promise of a sailing on June 10, please note that rates by our steamer sailing on tenth (as per separate sailing card) will be our regular tariff rates.

Cut rates will apply in the week in which the Bull Steamship Co. have a sailing.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

INSULAR LINE (INC.),
116 Broad Street, New York City.

EXHIBIT No. 49—9.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, November 13, 1911.

The steamship *Santurce* will sail on November 25, taking cargo for Guanica, Jobos, Arroyo, Humacao, and Yabucoa.

Will take cargo at the 70 per cent discount rate.

Yours, very truly,

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—10.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, March 16, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* March 23 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—11.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, April 4, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* April 13 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—12.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, April 22, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* May 4 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—13.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, May 7, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *San Juan* May 13 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—14.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, September 4, 1912.

The steamship *Carolina*, sailing on September 14 for San Juan, and the steamship *Montoso*, sailing on September 14 for Arecibo, Mayaguez, and Ponce, will

accept cargo at reduced rates. The *Montoso* will also call at Jobos, Arroyo, and Naguabo.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

EXHIBIT No. 49—15.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, October 8, 1912.

The steamship *Coamo*, sailing on October 19 for San Juan, and the steamship *Isabela*, sailing on October 19 for Ponce, Mayaguez, Arecibo, and Humacao, will accept cargo at reduced rates.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

EXHIBIT No. 49—16.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, October 24, 1912.

The steamship *San Juan*, sailing on November 2 for San Juan, and the steamship *Montoso*, sailing on November 2 for Ponce, Guanica, Mayaguez, Jobos, Arroyo, and Humacao, will accept cargo at reduced rates.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

Mr. BULL. After about six months or so the New York & Porto Rico Steamship Co. sent out cards and circulars stating that they would take freight at a reduced rate. They did not mention 70 per cent except in one circular. On the margin you will see a pencil mark initialed by their manager that the reduced rate is 70 per cent. I have also copies of three of their bills of lading and two photographs of bills of lading of the New York & Porto Rico Steamship Co. showing that they actually did cut 70 per cent.

Mr. HARDY. At what date?

Mr. BULL. That ran from January to March, 1912.

The three copies of bills of lading and the two photographs of bills of lading were marked, respectively, "Exhibit No. 50," "Exhibit No. 51," "Exhibit No. 51-a," "Exhibit No. 52," and "Exhibit No. 53," and filed with the committee.

Mr. BULL. The circulars, of course, that I obtained were sent to our friends and shippers. Of course this must have entailed considerable loss. Indeed, Mr. F. Kingsbury Curtis, of the Insular Line—by the way, we do not know who the Insular Line is. We can not find out its president or any of its officers, nor its directors; but Mr. Curtis, who seems to be the man higher up, informed me that his company—the Insular Line—and the New York & Porto Rico Steamship Co. had lost \$1,750,000 in this competition.

The CHAIRMAN. What is Mr. Curtis's full name?

Mr. BULL. F. Kingsbury Curtis.

The CHAIRMAN. What is his address?

Mr. BULL. He is on the corner of Broad Street and Exchange Place. Naturally Mr. Curtis and I were anxious to stop this ruinous

competition. Mr. Curtis made me an offer to quit. After talking it over with him I said I would rather see Mr. Mooney, vice president of the New York & Porto Rico Steamship Co. and its general manager, who was a personal friend of mine, and talk it over with him. Mr. Mooney made me the same offer exactly that Mr. Curtis had made to me.

On the second interview with Mr. Mooney I told him that I might be willing to limit ourselves to a certain number of steamers and to bring out a certain amount, a limited amount of sugar. At the third interview with Mr. Mooney I told him I had consulted my lawyer, who had told me that we could not make any arrangement whatever that would tend toward raising the rates to Porto Rico. There have been recent overtures made to us by the same parties to withdraw from the business, but all offers that have been made have been that we raise the rate of freight to be uniform, and this we would never be willing to do.

To show the close relation between the Insular Line and the Atlantic, Gulf & West Indian Steamship Co., which practically controls all the transportation business along the Atlantic coast and Gulf of Mexico, except New Orleans, the Insular Line some years ago started to run a boat from New Orleans, but soon withdrew it, and notwithstanding the fact that the rates from New Orleans and Texas to Porto Rico are now about three times higher than they are from New York to Porto Rico. The Insular Line does not run any boats from New Orleans to Porto Rico. The advertisements in any of the New York papers, or other papers, will show conclusively that the steamer companies and the railroad companies have divided up the territory, the Mallory Line going to Tampa, Mobile, Brunswick, and to Texas; the Clyde Line to Philadelphia, Wilmington, Charleston, and Jacksonville; the Eastern Steamship Co. from New York to the eastern ports, and so on along the whole coast. No independent company can get into any of these ports, because the railroads refuse to prorate with them, but on that subject I very much prefer to have you call my son, vice president of the A. H. Bull Steamship Co., who is better posted and can give you the information more in detail.

The CHAIRMAN. What is his name?

Mr. BULL. Ernest M. Bull.

The CHAIRMAN. You say the railroads refuse to prorate with any independent line?

Mr. BULL. Yes, sir; nor will they give us a terminal. They control the terminals—

The CHAIRMAN. At what points?

Mr. BULL. At all points. We can not get a wharf at New York City. We have by the courtesy, you might say, of the Baltimore & Ohio Railroad, part of pier 7, but we have already been notified to leave; and then, through the courtesy of the Great Northern Paper Co., we have use of pier 47, I think it is—that is, in part. We have had an application in for a pier at New York City for over two years and that same thing applies to any of our other ports.

The CHAIRMAN. Do not the piers of New York belong to the city?

Mr. BULL. Some of them do.

The CHAIRMAN. Not all of them?

Mr. BULL. Not all of them.

The CHAIRMAN. Those that belong to the city—you say are all leased?

Mr. BULL. All leased to railroads or steamship companies.

The CHAIRMAN. And you can not get in—you can not rent a pier?

Mr. BULL. No, sir.

The CHAIRMAN. And the companies to which they are leased are in these combines?

Mr. BULL. Yes, sir.

The CHAIRMAN. Which shuts out competition?

Mr. BULL. Yes, sir.

The CHAIRMAN. Shuts out the tramp steamer?

Mr. BULL. Yes, sir.

The CHAIRMAN. Prevents competition in rates?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is the situation in New York?

Mr. BULL. Yes, sir.

The CHAIRMAN. Now, in Philadelphia the terminals and piers belong to the railroads, do they not, with the exception of one pier?

Mr. BULL. I do not know. We have done no business from Philadelphia, but we have tried to get into Jacksonville, Pensacola, Mobile—

The CHAIRMAN. And the piers in each of those cities are controlled and belong to the railroads?

Mr. BULL. Yes, sir.

The CHAIRMAN. Yet Congress is spending millions of money to deepen harbors to facilitate our trade, and yet the terminals are so controlled that it is impossible to have open competition on the sea?

Mr. BULL. That is true, sir. As you see, if the railroads refuse to pro rate with independent lines in package freight they can do the same in bulk freight.

The CHAIRMAN. Let me understand. For instance, if you want a cargo out of Jacksonville, Fla., you can not get it. Suppose a shipper wants to give you a cargo out of Jacksonville.

Mr. BULL. Because if there is a ton of pig iron coming from Birmingham to be shipped out of Jacksonville to New York, the rate might be, we will say, \$4. Of that rate the steamship carrying the freight from Jacksonville to New York would be entitled to a certain proportion, and the railroad company bringing the pig iron down to tidewater would be entitled to its proportion. Now, the railroads give a certain rate to their most favored steamship company which they will not give to the A. H. Bull Steamship Co., or any other independent line. If an independent line tries to get this iron they must pay the local rate from Birmingham to Jacksonville, even if the railroad is willing to give them a terminal, which it is not generally willing to do.

The CHAIRMAN. The steamship company in the combine, however, in prorating the tariff will not be compelled to pay the railroad the local rate from Birmingham to Jacksonville?

Mr. BULL. No, sir.

The CHAIRMAN. Have they two rates from Birmingham to Jacksonville authorized by the Interstate Commerce Commission?

Mr. BULL. Certainly. I have letters here that we have written to some of the railroad companies asking them if they would prorate with us and they have refused to do so. We also have letters——

The CHAIRMAN. Select some of those letters.

Mr. BULL. I will pick them out.

Mr. HARDY. At the same time they refuse to prorate with you they are actually prorating with the combination lines?

Mr. BULL. Yes, sir.

The CHAIRMAN. I suggest you have those letters identified there.

Mr. BULL. I will do so.

The CHAIRMAN. Proceed.

Mr. BULL. On about January 12, 1912, our steamship *Caroline* was wrecked on Metinic Island. We were then under contract to bring the potato crop out of the State of Maine, and as we had barely enough tonnage to carry out our contracts we were cramped. We endeavored to charter a steamer to take her place. Indeed, before we had made any effort brokers came in and wanted to know if we did not want to charter a steamer. We said most assuredly we did. They mentioned one or more steamers that were controlled by the Steamship Trust, or combination, and we told them we did not think they would be able to charter them to us. "Oh, yes; they would; they were very much in need of business." To start out, some of the brokers would not return. Others came back and stated their regret that they could not charter the Bull Steamship Co. any steamers. Not being able to charter a steamer, and rather than make a loss we said we would buy a steamer; so we called up Mr. John Damers, who makes a specialty of selling steamers, and asked him if he had anything he could sell. He said, "Yes;" he had the *William Palmer*, owned by the Southern Steamship Co., of Philadelphia. As they were not competitors of ours in any way, we entered into negotiations. I have a memorandum here that I would like to read. Mr. Damers finally told us that he could not sell us the *Palmer*. I asked him if he would give his reasons in writing. He told me "No;" it might bring him in disrepute with the steamship companies. It might hurt his business.

The CHAIRMAN. With what steamship companies?

Mr. BULL. He did not say what steamship companies, but of course I understood it to be the one company that controlled pretty nearly everything, that is, the Atlantic, Gulf & West Indies Steamship Co.

So I wrote out this memorandum, showed it to Mr. Damers, and asked him if it was a correct statement. He said it was. [Reading:]

[Memorandum of interview with Mr. John Damers, February 2, 1912.]

Mr. John Damers called to-day and stated that he talked with Mr. Harvey Miller, president of the Southern Steamship Co., the day before last. As he had been in negotiation with Mr. Miller for many weeks for the sale of the steamship *William Palmer*, he asked Mr. Miller if he was now ready to give him a price, or what was the least price he would take for the *Palmer*.

Mr. Miller asked him who his principals were, and he said the Atlantic Coast Lumber Co., and then Mr. Miller asked him if the Atlantic Coast Lumber Co. would agree not to sell the *Palmer* to anyone else. Mr. Damers did not think that anyone would wish to buy the steamer and then agree never to sell her. Mr. Damers then informed Mr. Miller that he had another party in view, but would like to know his lowest price for the *Palmer*, and Mr. Miller asked who it was. Mr. Damers hesitated to divulge the name of his second party, when Mr. Miller asked if it was the A. H. Bull Steamship Co., or if it was Bull.

Mr. Damers then asked Mr. Miller if he would object to sell the *Palmer* to Mr. Bull. Mr. Miller replied: "Yes; they are our competitors."

ARCH'D H. BULL.

We have never been their competitors, but we learned afterwards that the Southern Steamship Co. was controlled by and went into the hands of the Mallory Steamship Co. which is a component part of the Atlantic & Gulf Steamship Co.

I was about to say that this prorating—you see Morse's scheme was to get the whole thing; that is, in my opinion, which looks plausible. If he could get the railroad companies to refuse to prorate on coal and iron, and phosphate rock, and lumber the same as they did on package freight, he could capture the whole coast. He started out to do it.

The CHAIRMAN. That was when he undertook to organize the trust—

Mr. BULL. But, luckily for us, he fell down. He appeared to pass out with the rest of them.

I think I have covered about the whole ground.

The CHAIRMAN. What trade is your company engaged in now?

Mr. BULL. We are engaged in running a line from New York to Stockton Springs in connection with the Bangor & Aroostook Railroad. We found that the Bangor & Aroostook Railroad was the only railroad that was not tied up to any steamship company, and so we entered that field. It was the only field we could get into. Then we ran our line between New York and Porto Rico.

The CHAIRMAN. Are you operating that line now?

Mr. BULL. Yes, sir.

The CHAIRMAN. How many lines operate between New York and Porto Rico?

Mr. BULL. There are four.

The CHAIRMAN. Yours and the other three?

Mr. BULL. Ours and the other three.

The CHAIRMAN. What are the other three?

Mr. BULL. The New York & Porto Rico Steamship Co., the Insular Line, and the Red D Line.

The CHAIRMAN. Is the rate cutting going on still in the Porto Rico trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is it between your company and the other three combined, or are they cutting between themselves?

Mr. BULL. No; as these circulars and cards will show, the New York & Porto Rico Steamship Co. and the Insular Line—which we think is only a buffer for the New York & Porto Rico Steamship Co.—cut about 70 per cent. The Red D Line—I have one of their circulars—cut 50 per cent. I have one of their cards.

The CHAIRMAN. Is there any relationship between the Red D Line and the New York & Porto Rico Steamship Co.?

Mr. BULL. None whatever. They are like ourselves. As far as I know they are independent.

The CHAIRMAN. Have they much trade with Porto Rico?

Mr. BULL. No; their trade principally is with La Guaira, in South America; they merely call at Porto Rico; they can only take a limited amount of freight. Their steamers are small.

The CHAIRMAN. Do you know if they have any agreement with the other lines under the terms of which they are not to participate to any extent in the Porto Rico trade?

Mr. BULL. I do not believe they have any such agreement. Their president told me they had not.

The CHAIRMAN. If I understand you, the combination between these other lines, both in the Porto Rico trade and in the coast trade, is such that you even find difficulty in chartering steamers?

Mr. BULL. Yes, sir. We do—others do not. They charter between themselves. I have a charter party here. Finally, when we could neither buy nor charter a steamer we went to Mr. Luckenbach for a steamer, and he had the *J. L. Luckenbach*, which he said he would charter, excluding Porto Rico. We chartered his boat at a rate of \$7,500 a month in Government form of charter, and for two round trips, New York, Philadelphia, or Baltimore to the Gulf of Mexico and return, Porto Rico excluded. We found the steamer was of too heavy draft for our general business, and we asked Mr. Luckenbach to allow us to withdraw the clause exempting Porto Rico. We received no answer, and then we wrote him another letter on April 9, 1912. I have a copy of that letter. Shall I read it?

The CHAIRMAN. Yes; read it.

A. H. BULL & Co.,
New York, April 9, 1912.

Mr. EDGAR F. LUCKENBACH,
8 Bridge Street, New York City.

DEAR SIR: In reference to the charter party of the *J. L. Luckenbach*, dated March 30, we now find that we would like to send this steamer to Porto Rico.

As you now have, and have had for a number of years, steamers trading between New York and Porto Rico, you will realize that there is nothing especially hazardous about this voyage, and as the charter party gives us the privilege of going to neighboring islands in the Gulf of Mexico, we hope you will have no objection to extending the charter to cover Porto Rico.

As we understand the steamer will be here the last of this week, a prompt reply to this will be appreciated.

Yours, truly,

Mr. BULL. Then we wrote him another letter on April 22, 1912, which is as follows [reading]:

A. H. BULL & Co.,
New York, April 22, 1912.

EDGAR LUCKENBACH, Esq.,
8 Bridge Street, New York City.

DEAR SIR: In reference to our conversation about a week or 10 days ago, regarding the privilege of sending the *J. L. Luckenbach* to Porto Rico, we understand at that time you were willing we should do this, provided the Insular Line would release you from the contract they have with you, prohibiting you from chartering any of your steamers to us for Porto Rico.

Will you kindly take this matter up with them again, as we should like to send the *Luckenbach* to Porto Rico on her next trip.

Your prompt attention to this matter would be appreciated by,

Yours, truly,

Mr. BULL. We got no reply to it. We could not send her to Porto Rico. We had to send her to such places as we could. She helped out somewhat, still we made considerable of a loss on our charter, which we would not have done, probably, if we could have sent her to Porto Rico.

Mr. HARDY. I should like to interrupt the course of your story just a moment and ask you to explain to me the Morse scheme; you said it was to arrange the prorating on——

Mr. BULL. Bulk cargo, such as coal.

Mr. HARDY. Do I understand there was no prorating between the railroads and these combination lines on bulk cargo?

Mr. BULL. No, sir; maybe I should put that in a different way.

Mr. HARDY. I want to understand that distinctly.

Mr. BULL. If Mr. Morse had been able to compel the railroads to refuse to prorate with schooners, barges, and independent steamship companies, they would have been left out in the cold, and he would have had the whole thing.

Mr. HARDY. I understood you to say that the railroads do refuse to prorate with independent companies?

Mr. BULL. No, sir; not on bulk cargoes.

Mr. HARDY. They do prorate on bulk cargoes, do they?

Mr. BULL. They do prorate on bulk cargoes; yes, sir.

Mr. HARDY. But they will not prorate on packages, is that the fact?

Mr. BULL. They will not prorate on packages.

Mr. HARDY. Is that the condition now?

Mr. BULL. That is the condition now.

Mr. HARDY. On all package freight they prorate with the combination lines, but will not do it with the others?

Mr. BULL. Yes; they do it with their favored steamship lines.

Mr. HARDY. That is, in the combination?

Mr. BULL. No; they are not all in the combination.

Mr. HARDY. What I want to know is why the railroads have made this distinction in the prorating of package freight, but not in bulk freight.

Mr. BULL. Well, it must pay them to do that. It must be a profitable arrangement.

Mr. HARDY. So, in bulk freight, your independent lines can prorate with railroads?

Mr. BULL. Yes, sir; otherwise we could not exist.

Mr. HARDY. Do you get the same proportion as the combination lines do?

Mr. BULL. The combination lines carry little or no bulk cargoes, though, as Mr. Mooney had told me in one of the interviews. Mr. Mooney told me that if we did not enter into an agreement with him to stop the competition with his company, that the Gulf & West Indies Co. would build such steamers as we own and follow us up on all of our coastwise business. They did build three steamers similar to ours, but those steamers can be used in carrying sugar just as well; they are not particularly package steamers. They can be used just the same as ours.

Mr. HARDY. I think I understand what I wanted to know.

Mr. HUMPHREY. The bulk cargo is the low class of freight, is it not?

Mr. BULL. Yes; the low-class freight.

Mr. HUMPHREY. That explains one reason why they are willing to prorate on it and not on the high class.

The CHAIRMAN. You are familiar with conditions on the Atlantic and Gulf seaboard, are you not?

Mr. BULL. Somewhat, sir; it has been my business for many years.

The CHAIRMAN. For instance, take it between New York, Charleston, Jacksonville, Tampa, Mobile, New Orleans, and Galveston, and tell the committee whether or not that territory is divided up between these lines in the combination, and whether or not there is any open competition.

Mr. BULL. I have already told the committee that.

The CHAIRMAN. I wish you to tell us in just so many words.

Mr. BULL. Yes, sir; I have told you in just so many words. You can take any ordinary shipping advertisement paper and see that none of the lines advertise a steamer for the same port as any of the others do.

Mr. HUMPHREY. Is that territory divided up by agreement or by some understanding between the companies?

Mr. BULL. That I could not tell you. I am not in the ring.

Mr. HUMPHREY. As a shipping man you do not believe it is accidental, do you?

Mr. BULL. No, sir; certainly not.

The CHAIRMAN. The very conditions suggest there is an agreement between them, do they not?

Mr. BULL. Yes, sir; surely.

The CHAIRMAN. And all the circumstances, so far as you are familiar with them, indicate clearly that there is a combination or agreement between them by which they divide up the territory?

Mr. BULL. Yes, sir.

The CHAIRMAN. These different lines, so far as you can ascertain, are also in the combination with the railroads, are they not?

Mr. BULL. Yes, sir.

The CHAIRMAN. By which the water rate is practically maintained at the same rate as the rate by rail?

Mr. BULL. I do not quite understand you.

The CHAIRMAN. For instance, from Galveston to New York by rail, and from Galveston to New York by water; what is the difference in the rate?

Mr. BULL. Oh, the rate by rail from Galveston to New York would be very much higher than the rate by steamer from Galveston to New York.

The CHAIRMAN. Much higher than by water?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is that also true from New Orleans?

Mr. BULL. Sure.

The CHAIRMAN. And from these other ports?

Mr. BULL. Yes.

The CHAIRMAN. Then, these water routes are in competition with the rail routes, are they not?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is what I wished to make clear.

Mr. BULL. Yes; that is, they would be if the steamships were entirely independent of the railroads.

The CHAIRMAN. Are they, notwithstanding?

Mr. BULL. Some are; yes, sir.

Mr. HUMPHREY. Is it not a fact that most of those steamship lines are controlled by the railroads?

Mr. BULL. A good many of them are, sir.

The CHAIRMAN. Are not some of them owned by the railroads?

Mr. BULL. Yes, sir.

The CHAIRMAN. Can you name any of them?

Mr. BULL. Yes, sir; but I am afraid it is going to get me in trouble with all sorts of people that I am afraid of. These steamships are all reported to the customhouse, and the committee can very readily find out who owns them.

The CHAIRMAN. You need not answer the question, then, if you do not care to. We have the information from another source, I am informed by Dr. Huebner.

Mr. BULL. Very well.

Mr. HARDY. Along that line, do you know who controls the Galveston Wharf Co.—where its affiliations are?

Mr. BULL. No, sir; in regard to those matters my son is better posted than I am.

Mr. HARDY. You do not know anything of the dealings with the Houston Direct Navigation Co. from Houston down to the Gulf?

Mr. BULL. No, sir.

The CHAIRMAN. Have you ever undertaken to charter any boats from anyone else except from Mr. Luckenbach?

Mr. BULL. We have chartered boats from Mr. Luckenbach.

The CHAIRMAN. Have you ever tried to do so from anybody else?

Mr. BULL. From other people?

The CHAIRMAN. Yes.

Mr. BULL. Yes, sir.

The CHAIRMAN. For the Porto Rican trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Did you succeed?

Mr. BULL. No, sir.

The CHAIRMAN. Why not?

Mr. BULL. Because they would not charter their boats to go to Porto Rico.

The CHAIRMAN. Who were the parties?

Mr. BULL. All the parties who own steamships in that combination. We could not charter any and every ordinary tramp steamer to carry package freight to Porto Rico; it must be a pretty good steamship, and therefore the market is very limited.

Mr. HARDY. You gave the history just now of your efforts to make a charter to carry the potato crop from Maine.

Mr. BULL. Yes, sir.

Mr. HARDY. And you finally wound up by getting the *S. S. Luckenbach*?

Mr. BULL. Yes, sir.

Mr. HARDY. And it was the only one you could get?

Mr. BULL. Yes, sir.

Mr. HARDY. How many others did you try to get at that time?

Mr. BULL. A number of brokers came in and said they had steamers; they mentioned steamers belonging to this combination.

Mr. HARDY. But whenever you finally tried to close a trade you were shut out, were you?

Mr. BULL. Yes, sir.

The CHAIRMAN. Who are some of the other parties from whom you tried to charter steamers and who refused to charter you steamers for the Porto Rican trade?

Mr. BULL. A number of brokers came in; some of them mentioned some steamers belonging to the Cuban Mail Steamship Co. that were idle at the time, but they came back and said they would not charter to us nor would they sell. Then there were other boats on the market which we would have liked to charter, but we could not. Mr. Dimon had some boats, and he, as I understood, had three of his boats which were chartered by the Insular Co. with an agreement similar to the one that Luckenbach had—that he would not charter any boats to enter the Porto Rico business outside of the Insular or New York & Porto Rican Steamship Co.

Mr. HUMPHREY. Did you ever attempt to have vessels built for that trade?

Mr. BULL. We built two steamers for that trade, sir. We were obliged to. We built the *Carterton* and *Eberlan*; they were fine double-decked steamers with side ports, heavy booms, especially adapted for the Porto Rico trade in which we are.

Mr. HUMPHREY. The question I wanted to bring out was this: Did you ever meet with any refusal to construct ships for you?

Mr. BULL. No, sir; none.

Mr. HUMPHREY. It has been charged that this combination goes so far that some of the shipyards of this country have refused to even build ships if they were going to be used against these conference lines.

Mr. BULL. No, sir; we had bids from all the principal yards to build our steamers.

Mr. HARDY. I understand you built two ships because you were forced to, although ships might have been chartered?

Mr. BULL. That probably is too strong a word. We could not get ships otherwise.

Mr. HARDY. You would not have built ships if you could have chartered some, would you?

Mr. BULL. No, sir.

Mr. HUMPHREY. When you had these ships built did the yards that contracted them know you were going to use them in the Porto Rican trade?

Mr. BULL. That I do not know. We did not tell anyone we were building these boats for the Porto Rican trade until they were nearly completed.

Mr. HARDY. You used the expression that you were forced to build them. How were you forced to build them?

Mr. BULL. If we had not been in the Porto Rico trade, we would have built our ordinary type of tramp, single-deck boats.

Mr. HARDY. You mean by being forced to build them that you could not charter the vessels you wanted to charter for that trade, and had either to do without that trade or build your own ships?

Mr. BULL. Yes, sir.

Mr. HARDY. Is that the way you were forced to build them?

Mr. BULL. Yes, sir.

The CHAIRMAN. You are building other ships now, are you not?

Mr. BULL. No, sir; we are not building other ships. We are waiting to see what Congress is going to do.

Mr. HUMPHREY. Waiting to see what we are going to do in regard to this bill, commonly known as the "foreign wreck" bill?

Mr. BULL. That and a free ship bill.

The CHAIRMAN. What company or concern is Mr. Dimon the head of?

Mr. BULL. I do not know. He works in close touch with Mr. Curtis, I know, of the Insular Line.

Mr. AYRES. With regard to the New York docks, is it not true that the trouble with getting docks for yourself in New York is not because the city will not lease them to you, but because the city is short of docks, has not docks enough for the traffic?

Mr. BULL. In answer to that, Mr. Ayres, I would say that if the railroad companies would just take the amount of space they need and wish to use, there might be more space.

Mr. AYRES. Yes; but, Mr. Bull, is it not true that there are 20 or 30 applications now on file for docks that the dock commissioner can not supply?

Mr. BULL. I believe there are a good many.

Mr. AYRES. So that the city itself is not discriminating against you, is it?

Mr. BULL. No, sir; but if a railroad company should take three times as much dock space as they require and hold it, so as to keep others out, of course the city can not help that.

The CHAIRMAN. Why can not the city help it?

Mr. BULL. Well, I do not know; you can not refuse either a railroad or a steamship company; you can not prevent them from hiring as much—

The CHAIRMAN (interposing). If one steamship company wanted to lease all the docks in New York, there is no ordinance there to prevent it, although they know—

Mr. BULL (interposing). That I do not know, but I have thought that the railroad companies hold more dock room than they can use. As a matter of fact, the Baltimore & Ohio Railroad Co. rents part of its dock to us at a very high price.

The CHAIRMAN. Then one method of shutting out competition is to lease the city docks, is it?

Mr. BULL. Yes, sir. Of course, we can go to Brooklyn.

Mr. HUMPHREY. If you were operating a line that was prorating with the railroads, or, to put it another way, if you were in the combine, do you think you would find any trouble about getting the railroads to furnish you room to load your vessels?

Mr. BULL. Not at the outport, certainly. I do not think we would; not at the outport.

The CHAIRMAN. Mr. Bull, did you not in 1911 lease boats from the Insular Line?

Mr. BULL. No; we never leased boats from the Insular Line. The Insular Line does not own any boats. It charters its boats from Luckenbach & Dimond, and I do not think there are any others.

The CHAIRMAN. Did you charter any boats from the New York & Porto Rican Steamship Co.?

Mr. BULL. Previous to our entering into the Porto Rico business we did, and they chartered ours.

The CHAIRMAN. But that has not been true since you entered into the Porto Rico business, has it?

Mr. BULL. No, sir; they have refused to charter us steamers. We have tried to charter their idle steamers since. They have refused to charter them to us.

The CHAIRMAN. How long have you been in that business?

Mr. BULL. Since the spring of 1911.

Mr. AYRES. You say that the combination steamers parcel out, or you think, at least, that they parcel out the different trades among themselves, like the Mallory Line and the Porto Rican Steamship Co. Do you know of any incidents where the Mallory Line, or the Clyde Line, or the Ward Line, or the New York & Porto Rican Steamship Co.—that is, Mr. Mooney's line—have changed their trades since they entered into this combination? I mean this: Do not these steamship companies, which were originally built up independently and operated certain trades, do they not still continue to operate the same trades they used to operate when they were independent?

Mr. BULL. Yes, sir; they do.

Mr. AYRES. So that, as a matter of fact, since they entered the combination they really have not, perhaps, parceled out their trades any differently from their original trade?

Mr. BULL. No, sir.

Mr. AYRES. They are just operating the trades they used to operate?

Mr. BULL. No, sir; several steamship lines have since been formed to enter competition with them, and they have invariably gone into bankruptcy.

The CHAIRMAN. Luckenbach operates a good many boats, does he not?

Mr. BULL. Yes, sir.

The CHAIRMAN. Does he operate any to Porto Rico?

Mr. BULL. No, sir; except as chartered to the Insular Line. That is a part of his contract that he should not.

The CHAIRMAN. A part of his contract is that if they will lease his boats he himself will not operate boats to Porto Rico?

Mr. BULL. Part of the contract is that he should charter a certain number of boats—I think it is three or more, maybe more—to the Insular Line, with the understanding that he will not himself enter into the Porto Rico business and that he will not charter any of his remaining boats to anybody in the business.

The CHAIRMAN. They give him a high charter rate in consideration of that agreement, do they not?

Mr. BULL. I presume they do.

The CHAIRMAN. Do you know what the rate is?

Mr. BULL. No; I do not know exactly what it is. I know what they offered me if I would enter into the combination.

The CHAIRMAN. When you want to charter boats from them, do they offer to charter them to you on the same terms?

Mr. BULL. Yes, sir; they did, sir.

The CHAIRMAN. That is, they charter the boats on condition that you would not enter them in the Porto Rico trade; is that the fact?

Mr. BULL. They offered to charter three of our steamers if we would quit the competition and agree that we would not charter any of the rest of our boats to Porto Rico or engage in the Porto Rico trade.

The CHAIRMAN. As part of the consideration that you would not enter into the trade, did they not offer you a higher charter rate than would have been the ordinary rate?

Mr. BULL. Yes, sir.

The CHAIRMAN. How much higher?

Mr. BULL. At that time I should say it was a couple of thousand dollars more a month. Rates have very much advanced since.

Mr. HARDY. For one ship or for all your ships?

Mr. BULL. What?

Mr. HARDY. That much higher than the customary rate for just one ship?

Mr. BULL. For three ships.

The CHAIRMAN. Tell the committee if there has been an advance in the freight rates between ports on the Atlantic seaboard and Porto Rico in the last few years.

Mr. BULL. There has been no advance in the last few years.

The CHAIRMAN. But since you have entered into the trade there has been a sharp cut?

Mr. BULL. Yes, sir.

The CHAIRMAN. When does that cut take place?

Mr. BULL. When did it take place?

The CHAIRMAN. When does it take place—is that in force now?

Mr. BULL. Yes, sir.

The CHAIRMAN. On all cargoes, or simply when you have vessels in port?

Mr. BULL. It is only when we have vessels, as you will see by the circulars and cards. I want to read one of them to you:

Only when Bull has a steamship on the berth or in the week of Bull's sailing.

The CHAIRMAN. Read us what it says [handing package to witness, heretofore marked and introduced as "Exhibit 49"].

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer we guarantee that our net rate to the same ports by a steamer sailing in the same week will be as low as or lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

That is May 1.

The next is May 15, which says:

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accepts freight on any steamer we guarantee that our net rates to the same ports by a steamer sailing in the same week will be 5 per cent lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

The CHAIRMAN. Which line is that?

Mr. BULL. That is the Insular Line. You have the circulars there—one circular where he says they will be 50 per cent, 60 per cent, and then 70 per cent. Then, here is the one of 1911.

Mr. HARDY. Those circulars were sent to patrons of yours?

Mr. BULL. Yes, sir; sent to our friends; otherwise we could not get them.

As the Bull Steamship Co. have failed to keep their promise of a sailing June 10, please note that rates by our steamers sailing on June 10 (as per separate sailing card) will be our regular tariff rates.

[Referring to another paper.] That does not mention rates.

On July 12:

Having heard from several sources that the Bull Line have told shippers that we could not or would not have a steamer to sail next week in competi-

tion with their steamship *Ruth*, please note the following: Our steamship *Harry Luckenbach*, now in port, will sail next week for San Juan, Mayaguez, Ponce, and Arroyo, and will accept freight, in accordance with permits, at a discount of 60 per cent, as stated in our circular of July 12. Sailing cards giving exact date will be issued to-morrow.

We further announce that in the next week in which the Bull Line have a sailing we will also dispatch a steamer, on which we will accept freight in accordance with the permits, and the rate of discount will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circular of July 12.

Mr. GREENE. Whose name is signed to that?

Mr. BULL. The Insular Steamship Co. Here is one issued by the New York & Porto Rico Steamship Co. November 13, 1911:

The steamship *Santurce* will sail on November 25, taking cargo for Guanica, Jobos, Arroyo, Humacao, and Yabucoa.

Signed by "V. K. Hull, general freight agent," for the New York & Porto Rico Steamship Co. And then in the margin here:

Will take cargo at the 70 per cent discount rate.

Then, I have the bills of lading, which will show at that time and other times they took freight at the 70 per cent discount.

Another one, of the New York & Porto Rico Steamship Co., April 22:

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo*, May 4, for San Juan, Mayaguez, and Ponce.

And the Insular Line, May 7:

We beg to advise that we will accept cargo at reduced rates for San Juan, Mayaguez, and Ponce.

And then the New York & Porto Rico Steamship Co. on May 7:

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *San Juan*, May 18, for San Juan, Mayaguez, and Ponce.

Then, May 18, the Insular Line again at reduced rates, and so on, right through to November 22.

Mr. HARDY. Do you know whether they had any arrangement between these different companies to prorate losses on these freight rates?

Mr. BULL. No; I do not.

The CHAIRMAN. How did you manage to get any business under those conditions?

Mr. BULL. Because the Porto Rican people are wise enough to know that as soon as we go off up goes the rates and losses have got to come out of them. That is one reason.

Mr. HUMPHREY. I am going to ask you if you have ever called the attention of the Department of Justice to these advertisements or to the action of these lines that are running in competition with you?

Mr. BULL. No, sir. Of course, we gathered this matter up with the intention of putting it into the hands of our counsel.

Mr. HUMPHREY. Into the hands of who?

Mr. BULL. Of our counsel; and we spoke to the New York & Porto Rico people on the exchange about it, and their reply was that I had been as bad as they were, because I had signed the bond to keep out of the business for 10 years.

Mr. HUMPHREY. I do not think myself that is a violation of law.

Mr. BULL. What?

Mr. HUMPHREY. I do not think myself that is a violation of law; the violation of any such agreement.

Mr. BULL. And so we heard there was going to be an examination here, and we thought we would wait until this examination occurred.

Mr. HUMPHREY. I think, in the interest of the public, you ought to bring the action of these lines to the attention of the Department of Justice.

Mr. BULL. We might do so after you gentlemen get through.

Mr. HUMPHREY. They ought at least to be more decent in their attacks, so as not to be so public. They ought to be prosecuted for that, if for no other reason.

Mr. BULL. And you see by the advertising the fact that when the Bull Line has a rate it is 70 per cent, otherwise it is the regular rate. They advertised that as soon as we get Bull out of the way the regular rate will apply.

Mr. HARDY. One of the circulars show that because you had broken your promise, on the same date they withdrew their special rates?

Mr. BULL. Yes, sir.

Mr. HUMPHREY. Are those lines of which you speak under the American flag?

Mr. BULL. They could not go to Porto Rico otherwise, because it is a coastwise port. I hope, Mr. Chairman, that my son will be called, because he has gone—he visited the president and the head officials of these railroads in an effort to get them to prorate the loss and let us in.

The CHAIRMAN. We will be sure to have him.

Mr. HARDY. But you know what excuse the railroads give for prorating with other lines and refusing to prorate with you?

Mr. BULL. I think my son can answer that question. Anyway, he can answer it more nearly than I can.

The CHAIRMAN. You referred to having long-time contracts with all of these shippers?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is, shippers from Porto Rico?

Mr. BULL. No, sir—well, we are under a sort of a contract with one of the shippers to Porto Rico, I think, for three years. I think we are under a contract for three years; that is a detail of business which I leave entirely to our vice president.

The CHAIRMAN. Can you give us a copy of that contract?

Mr. BULL. We should hate to do so, for we would not like our competitors to see it—certainly—understand we have nothing to hide. We simply want to protect our business. We do not want to advertise it so that it can be used against us.

The CHAIRMAN. Is that the only way to protect yourself against this combine?

Mr. BULL. That is the only way to protect ourselves.

The CHAIRMAN. I say that is one of the ways you have of protecting yourselves?

Mr. BULL. Yes, sir; we are getting a higher rate of freight to Porto Rico than either of our competitors on a great many things.

The CHAIRMAN. Simply because you are giving them uniformly a lower rate than your competitors' tariff rates?

Mr. BULL. We give it.

The CHAIRMAN. And just as soon as your competition is withdrawn then they restore the old rate, which is higher than is the rate you give them in your long-term contracts?

Mr. BULL. Their own cards will show that.

Mr. HUMPHREY. The contract shows it is a restraint of trade. I doubt whether the committee ought to make it public.

The CHAIRMAN. I would not want to disarm them entirely.

Mr. HUMPHREY. I do not think we want to do it.

The CHAIRMAN. Are there any other questions of Mr. Bull? Mr. Bull, what do you regard as a remedy for this condition? Have you any suggestions to make to the committee?

Mr. BULL. Compel the railroads to make one rate from interior points to the seaport to all steamship companies.

The CHAIRMAN. What about through bills of lading?

Mr. BULL. And to give them equal privileges at the terminals.

The CHAIRMAN. What about through bills of lading; are they given now?

Mr. BULL. In some cases. Generally a through bill of lading is given; in some cases there are two bills of lading given.

The CHAIRMAN. That is all right between the shipping lines and the railroads, but take the condition between our ports and Porto Rico.

Mr. BULL. Yes, sir.

The CHAIRMAN. Have you anything to suggest in the way of legislation to prevent the methods that are resorted to to shut you out from Porto Rico and to prevent competition?

Mr. BULL. Well, I think that it is up to our legislators to find the methods. I can not tell just what you could do at Porto Rico.

Mr. AYRES. Mr. Bull, would you be inclined toward an interstate or rather a commerce commission which would supervise the rates as the Interstate Commerce Commission does?

Mr. BULL. We would welcome it. That would be one of the ways that I had not thought of. We would welcome it.

Mr. AYRES. Do you think that would produce a good result?

Mr. BULL. Yes, sir; I think that would be an excellent thing.

The CHAIRMAN. What would you say if the law should compel all these lines engaged in our domestic or foreign commerce to file their agreements with the Interstate Commerce Commission?

Mr. BULL. I should think, myself, it would be a good plan; but there again I would like to have our vice president, who is our traffic manager, speak for the company. I should think it a good plan.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. HARDY. Just another question: Do you think it would be desirable to prevent any steamship line from taking any shipment at a lower than a compensatory rate? In other words, to take shipping at a loss on that particular shipping?

Mr. BULL. No; I do not think that, because there are times—I know shortly after the panic we had to carry freight at a loss in order to keep our crew working. I called the engineers and captains together, and I said, "Now, here we are running at a loss. Are you willing to take less wages and keep going?" They said they were. We kept her going. Afterwards we made it up, and made up the wages too.

Mr. HARDY. Still you realize that the powerful combination can drive you out of business if they are allowed to cut completely under the cost of carriage?

Mr. BULL. They have never succeeded in doing so yet.

Mr. HARDY. You have been in this business but two years this time, have you not?

Mr. BULL. I have been in this business since 1863.

Mr. HARDY. But this particular Porto Rican trade; you have only been in two years?

Mr. BULL. No; I was in the Porto Rican trade since about 1870, when we started.

Mr. HARDY. Then you had to finally compromise and sort of stay out and sign a bond?

Mr. BULL. We had to compromise, but we went in on equal footing.

Mr. HARDY. Still you compromised? It was a hard fight you had, and you found your best way out was to compromise?

Mr. BULL. In compromise—

Mr. HARDY. You were at it, and the end was not yet?

Mr. BULL. Yes, sir. I do not think you could make any law to prevent a man taking the freight at a loss. It would be optional with him to take what rate he thought best. He might make a loss on carrying the cargo outward for the sake of getting out of a port, and then make his profit on the homeward freight; that is frequently the case.

Mr. HARDY. I know you have been accustomed to the privilege of doing absolutely as you pleased.

Mr. BULL. Yes, sir.

Mr. HARDY. But the result of this action has been to indicate an independent man under the killing, is it not?

Mr. BULL. Yes, sir; that is true.

Mr. HARDY. So that there is only you alone—to drop into my friend's historical reference, "Out of all the prophets of Israel, there seems to be only Elijah alone left."

Mr. BULL. That may be true.

Mr. HARDY. Maybe there are 7,000 others; I do not know.

Mr. BULL. I should welcome any law at all that is going to help the greatest number, because we would get our share of it.

Mr. HARDY. You would like to see fair competition?

Mr. BULL. Fair, square dealing.

The CHAIRMAN. You are willing, in other words, to fight one line but you do not like to fight a whole combination?

Mr. BULL. That is right, sir.

Mr. GREENE. Mr. Bull, I understood you to say that the combination offered you an extra charter rate of \$2,000 per month?

Mr. BULL. About that, sir.

Mr. GREENE. In excess of the regular rate, if you would stay out of the Porto Rico trade?

Mr. BULL. Yes, sir.

Mr. GREENE. What percentage of the regular rate is the \$2,000?

Mr. BULL. Well, you see, it is hard to make a comparison, because the Insular Line would charter our steamers at a lump sum, and then they or the Porto Rican Co.—they both made me the same offer—would take the cargo at certain rates, do you not see? What I mean

to say when I talk about \$2,000 more is, about \$2,000 more than I could go out and charter our boats by the month as they chartered them.

Mr. GREENE. What percentage is \$2,000 of the amount you could go out and charter those boats for?

Mr. BULL. Oh, what percentage? It is about 20 per cent.

Mr. GREENE. Then, they offered 20 per cent above what might be the regular rate?

Mr. BULL. About that; yes, sir.

Mr. GREENE. That is gross or net?

Mr. BULL. That is net.

Mr. GREENE. And did so for the purpose of keeping you or having you out of the Porto Rican trade?

Mr. BULL. Yes, sir; that offer has been made to me several times.

The CHAIRMAN. Is there anything else to be asked of Mr. Bull? [After a pause.] You may be excused.

Mr. BULL. Thank you. I would like to make this further statement, that naturally these cards, etc., are of great value to us. It cost us a good deal of effort to get them, and therefore we want them all well kept.

The CHAIRMAN (to the clerk of the committee). Let your files show that they were submitted by Mr. Bull.

TESTIMONY OF HERBERT BARBER, PRESIDENT BARBER & CO. (INC.), 17 BATTERY PLACE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the committee your name in full, and your address, also the business in which you are engaged.

Mr. BARBER. Herbert Barber, Englewood, N. J., and my business at present is with Barber & Co. (Inc.), steamship agents and steamship owners, at 17 Battery Place, New York.

The CHAIRMAN. Please give the committee the areas in which your line is engaged in business.

Mr. BARBER. We run steamers from New York to Havre and Dunkirk and the Bristol Channels. That line is entirely our own property, and we run it with chartered boats. We run steamers from New York to China, Japan, and the Philippines. That line is our own line. We run partly the boats we own and partly the boats that are owned by friends of ours in England, for whom we load the steamers on commission. We load boats from New York to the River Plata, and the River Plata back to New York, with steamers that are owned by ourselves, chartered by ourselves, or berthed with us by our English friends. We load steamers from New York to South Africa, which is the Union Clan Line, which line is owned jointly by the Union Castle Mail Steam Packet Co. (Ltd.), of London and Glasgow.

We also operate steamers all over the world under charter. We are continually in the market for both chartered and rechartered steamers, and we sometimes have as many as 20 or 30 chartered steamers running, besides the boats we are running in our regular lines.

The CHAIRMAN. Do you run boats from New York to points on the west coast of South America?

Mr. BARBER. Not now. We did for awhile, but we do not run any now.

The CHAIRMAN. Do you run boats in any other trade; for instance, Mexico or Central America?

Mr. BARBER. Not regularly. We are running one or two boats at present to Brazil, but not on our own account, but on account of the people in Brazil who have asked us to charter them and we load them.

The CHAIRMAN. Do you run any to ports on the north coast of South America?

Mr. BARBER. No; we do not load any for South America, except to Rio de Janeiro, and in an exceptional case to the River Plata.

The CHAIRMAN. Tell the committee the corporate name of your company.

Mr. BARBER. Barber & Co. (Inc.), under the laws of the State of New Jersey.

The CHAIRMAN. And who are the officers of your company?

Mr. BARBER. I am president of the company, James Barber is vice president, Frank Wilson is vice president, Oakley Wood is treasurer, and Edward J. Barber is secretary.

The CHAIRMAN. What is the capitalization of your company?

Mr. BARBER. \$200,000 of common and the same amount of preferred. We have about \$70,000 of preferred stock issued.

The CHAIRMAN. Are your vessels under the American flag?

Mr. BARBER. We very seldom operate any vessels under the American flag. We have at present only one steamer owned by the Porto Rican companies you have heard a great deal about this morning. We have the *Corozal*, one of their steamers, under charter that took a cargo of oats to Tripoli, which was the first American flag ever seen there this century.

The CHAIRMAN. We will take up the trade to Argentina and back. Tell the committee if your company is a party to any agreement or agreements or any understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States and Argentina?

Mr. BARBER. We do no passenger business at all; never have. So please eliminate that. But in freight we have an understanding. There is no written agreement whatever in the River Plata trade. We have an understanding with the lines that are loading from New York.

The CHAIRMAN. Mention the lines that you have the understanding with.

Mr. BARBER. We have an understanding with the Lamport & Holt Line, with the Houston Line, with the Prince Line, the New York & La Plata Steamship Co., and there is supposed to be an understanding also with the Norton Line, but it is a very vague and shadowy understanding.

The CHAIRMAN. And what is that understanding?

Mr. BARBER. That we will make rates in common as far as we can.

The CHAIRMAN. And as between yourselves, your rates will be the same?

Mr. BARBER. As nearly as we can get them; yes.

The CHAIRMAN. From New York to the River Plata?

Mr. BARBER. Yes.

The CHAIRMAN. What is the agreement between your lines with reference to the rates from the River Plata to New York?

Mr. BARBER. Well, that is an arrangement made in the River Plata.

The CHAIRMAN. Well, what is it?

Mr. BARBER. By our agent. We have arrangements with the Lamport & Holt and the Houston Lines that we will make rates in common and they give the shippers a 5 per cent deferred rebate if they continue their shipments during the six months. That was an arrangement that was made before we got down there, and when we commenced sharing trade with them they arranged so that we could come in there, because we had a share of the northbound business, and we had to take it as we found it or not get it at all.

The CHAIRMAN. Can you furnish the committee a copy of the agreement?

Mr. BARBER. I have no agreement. It is simply letters we have had from our agents as to what the arrangement is.

The CHAIRMAN. The rebate arrangement—you have no copy of it?

Mr. BARBER. No copy.

The CHAIRMAN. Did you ever see a copy of it?

Mr. BARBER. I never saw a copy; none was ever sent me.

The CHAIRMAN. How did you settle or adjust the rebates?

Mr. BARBER. I think the first rebates became due—this arrangement only took place last year—about the end of the year, and the accounts are probably on the way up now with the debits for the rebates for the last year's business. The rebate does not cover the traffic on cereals, corn, and linseed, which are excepted, and a great deal of our traffic from the River Plata in the last year has been in cereals.

The CHAIRMAN. What does it embrace?

Mr. BARBER. Hides and wool and quebracho extracts and fertilizers, and things of that sort.

Mr. HARDY. Everything except these articles you have mentioned?

Mr. BARBER. Except cereals. There have been large exports the last two years of oats, corn, and flaxseed from the River Plata.

Mr. HARDY. Now, these merchants in the River Plata district, in order to get these rebates must sign contracts with one or more of the conference lines, must they not?

Mr. BARBER. I really do not know whether they do or not.

Mr. HARDY. Do you think there is simply a verbal understanding, or is it written?

Mr. BARBER. There may be a written understanding. I have not a copy of it.

Mr. HARDY. Could you not get us a copy of it?

Mr. BARBER. I will ask them to send a copy of it; yes. There is nothing secret about it.

Mr. HARDY. We would rather have definite information than a guess.

Mr. HUMPHREY. I think we ought to adjourn now until 2 o'clock. There will probably be a motion to take up the Army bill.

The CHAIRMAN. We will take a recess now until 2 o'clock.

A recess was thereupon taken until 2 o'clock p. m.

AFTERNOON SESSION.

The hearing was resumed at the conclusion of the recess.

The CHAIRMAN. Mr. Barber, when we took the recess you were referring to the River Plate trade. What lines are engaged in the trade from the River Plate to the United States?

Mr. BARBER. Regularly in the trade there is the Houston Line, the Lamport & Holt Line, and our line, but the Norton steamers occasionally load northbound, and Munson's boats that go out from the Gulf load northbound.

The CHAIRMAN. Are these lines to which you refer in this understanding?

Mr. BARBER. No; they are not.

The CHAIRMAN. Well, what ones are not?

Mr. BARBER. The Norton Line is not; neither is the Munson Line.

The CHAIRMAN. Do they take regularly from the River Plate to New York?

Mr. BARBER. More or less regularly; yes.

The CHAIRMAN. Is their rate different from yours?

Mr. BARBER. Frequently it is. There is no consultation between them down there.

The CHAIRMAN. How many lines are in this conference?

Mr. BARBER. Which conference are you referring to?

The CHAIRMAN. From the River Plate to New York.

Mr. BARBER. There are only three of us in the conference.

The CHAIRMAN. That is, the Prince Line—

Mr. BARBER. No; the Prince Line is not in it.

The CHAIRMAN. Lamport & Holt?

Mr. BARBER. Lamport & Holt, the Houston Line, and the Barber Line.

Mr. HARDY. What about the idea that the gentleman from New Orleans had that the Munson Line was used to sort of press down their line?

Mr. BARBER. That gentleman was a poet. He was not a steamship man. He was a good advertising agent, but a mighty poor steamship man. He did not know what he was talking about.

Mr. HARDY. Then there was nothing in that idea?

Mr. BARBER. The Munson Line is a large corporation. They operate more steamers than any American line. They have some 40 to 50 steamboats chartered at a time.

Mr. HARDY. Do you know anything about the proposition of the Prince Line to start a steamer out from New Orleans and withdrawing—

Mr. BARBER. I think it was the Lamport & Holt Line. The *Terrence* was down there, and they proposed taking some freight from there.

Mr. HARDY. Do you know anything about that proposition of going in at the time he was trying to establish his line, and being withdrawn as soon as he was driven out?

Mr. BARBER. No; I do not know anything except what I saw. It was nothing like he said. They were down there and wanted some resin to ballast their ship to New York, and they took it.

Mr. HARDY. Do you know why there should not be a line of vessels going from New Orleans to South American ports as well as from New York?

Mr. BARBER. Not if some people wish to get hold of it and run it. I think it could be done.

The CHAIRMAN. Do you not think it would be profitable?

Mr. BARBER. I think I could make a profit out of it if I were to go down there and try it, but I do not want to now.

The CHAIRMAN. In other words, you have all the tonnage your ships can carry?

Mr. BARBER. Well, practically, but it takes a great deal of attention to details to run a steamship line. I can tell you that.

Mr. HARDY. Do any of these conference lines run any regular line from New Orleans to South America?

Mr. BARBER. What line?

Mr. HARDY. Do any of the conference lines run any regular line from New Orleans to South America?

Mr. BARBER. No, sir.

Mr. HARDY. Do you think that if some independent or outsider were to attempt to establish a line from New Orleans they would be permitted to do so without a great struggle?

Mr. BARBER. Yes; there would be no worry about it at all. There is plenty of business there for them. For instance, when that Pan-American Line, as they call themselves, went in there it was simply a freight speculation scheme. That was all it was. They had a few thousand dollars for speculation and they went in and chartered British steamers, but there were no American vessels about it at all. They went in that venture down to South America.

Mr. HARDY. Why was it that the owners of the *Terrance* gave it out that they were going to sail from New Orleans and take on freight there?

Mr. BARBER. I can not tell you that, sir. I was not consulted about it and knew nothing at all about it. Mr. Daniels was here last week and he could tell you about it.

The CHAIRMAN. Is not this a fact: The conference lines have got the trade northward so completely covered by that agreement between themselves and the large shippers that no independent line can go in there and get a northbound cargo?

Mr. BARBER. From where?

The CHAIRMAN. From the River Plata.

Mr. BARBER. Oh, yes; they get cargo all the time northbound in the season. There are lots of steamers chartered for full cargoes of quebracho wood, corn, and flax seed, and that sort of thing.

Mr. HARDY. What was the former Congressman's name that said there was no possibility of getting—

Mr. BARBER. Mr. Douglas. Oh, he is a poet, too. He just talks for effect. That is all Mr. Douglas did. He is well known in New York.

Mr. HARDY. You think, then, that almost anybody is a poet that would start in on a line from New Orleans to South America without being in the conference with the rest of you?

Mr. BARBER. That is rubbish.

Mr. HARDY. You think there would be no obstructions put in the way?

Mr. BARBER. Not that I know of.

Mr. HARDY. Do you know whether an independent line starting out from Galveston was not killed off also?

Mr. BARBER. I never heard of anyone started there.

The CHAIRMAN. How did you happen to get into the conference yourself?

Mr. BARBER. I had to fight my way.

The CHAIRMAN. That is the way; you had to fight your way in.

Mr. HARDY. They tried to put you out before you fought your way in, did they not?

Mr. BARBER. Yes.

The CHAIRMAN. If anybody else attempted to get into that trade, they would have just the three lines to fight?

Mr. BARBER. Northbound—there was not much fighting northbound. It is not much worth fighting for northbound business. At times there is a cargo, and at other times there is not; but if the Pan-American Line knew it, it would be much better to bring their ships north in ballast than to load them out at the rates they get in Brazil. What they thought was a misfortune was a real blessing to them. They lost more money bringing a cargo than they would have by coming up in ballast.

The CHAIRMAN. That is, you mean to say that when they have a full cargo going to Brazil it was a blessing to them they did not have a cargo back?

Mr. BARBER. Yes; because the cost of loading cargoes in Brazil is so heavy there is nothing left. When I have a steamer for which I am paying \$400 hire per day, as they were, it is a most expensive thing to load cargoes.

The CHAIRMAN. And the sooner they get back and surrender the steamer the better?

Mr. BARBER. The quicker the better.

Mr. HARDY. They had gone under when they started?

Mr. BARBER. Practically; yes.

Mr. THAYER. Is it an advantage for some lines to ship from Brazil?

Mr. BARBER. Anyone going into the Brazil trade must know what he is about. Brazil is the most expensive part of the world to go to. They have peculiar customs and peculiar arrangements.

The CHAIRMAN. But the conference lines grant deferred rebates on shipments from Brazil to this country, particularly coffee, it seems, do they not?

Mr. BARBER. I believe they do; yes.

The CHAIRMAN. Are you in the Brazilian trade?

Mr. BARBER. I am not. I have been there—

The CHAIRMAN. Your opinion seems to differ very much from those who have testified previously. They seem to think that is a very good trade and a profitable trade.

Mr. BARBER. Well, I tried it. I took some cargoes for Arbuckle for the South African lines once, when we were fighting with the Prince people.

The CHAIRMAN. Was not this the upshot of your effort to get in there—that they told you that if you would just cut out Brazil and go into the River Plata trade, they would let you in on that?

Mr. BARBER. There is nothing in it at all. I am loading steamships for the Brazil trade now, at the present time, in New York.

Mr. HUMPHREY. I should like to ask you a question on that Brazil trade, in view of what you stated that it is so costly to handle a trade from Brazil. If that is true, how do you account for the fact that you bring cargo from Brazil to this country cheaper than you take it from this country to Brazil?

Mr. BARBER. Who do?

Mr. HUMPHREY. The Prince Line people do.

Mr. BARBER. I do not think they do, sir. I do not know where you got that information from.

Mr. HUMPHREY. If I recollect the testimony given the other day you charge considerably more for carrying lumber down than you do for carrying coffee back?

Mr. BARBER. They get 50 cents a bag. That is the rate they get for coffee, 50 cents a bag. It is a very good freight, but looking at the expense of handling it it is not a very good rate. I would sooner have 15s. per ton for corn from the River Plata than 50 cents per bag for coffee.

The CHAIRMAN. The Lloyd Brasileiro was offering to carry that same coffee for 26 cents.

Mr. BARBER. If they got it they would find there was nothing in it. They would have to spend out all their money.

Mr. HUMPHREY. No; they would be very glad to do it now.

Mr. BARBER. That is not a business proposition—the Lloyd Brasileiro.

Mr. HUMPHREY. It is not?

Mr. BARBER. No.

Mr. HUMPHREY. Just tell us what you regard as a business proposition?

Mr. BARBER. That you should run steamers to get a profit out of them.

Mr. HUMPHREY. And get into a combination with the other fellow?

Mr. BARBER. No matter whether it is a combination or not. You run them to make money out of them.

Mr. HUMPHREY. That is the only way to do?

Mr. BARBER. That is it. You can not make money unless you do.

Mr. HARDY. As I understand you, you yourself fought your way into the combination?

Mr. BARBER. Well, I was in the combination to begin with as the agent for the Houston Line. We are speaking of the River Plata trade now?

Mr. HARDY. Yes.

Mr. BARBER. And then when Mr. Houston was going to make a change of agency we jumped first and we gave up his agency, and we started on our own account.

Mr. HARDY. What opposition did you find, any cutting of rates or anything of the kind?

Mr. BARBER. Oh, yes; they cut rates against us all the time, but we did not mind that. We knew how to deal with them. When they cut rates, there was plenty of cargo there, and we waited by and then when they were full we took stuff at a reasonable rate, and got it.

Mr. HARDY. Still you ultimately found it to your interest to come in?

Mr. BARBER. They were granting rebates, and they kept on——

Mr. HARDY. Did that prevent you from getting cargo?

Mr. BARBER. No.

Mr. HARDY. Why did you not stay out of the conference if you could beat them that way?

Mr. BARBER. We did stay out for years and made money at it.

Mr. HARDY. What made you go in?

Mr. BARBER. They came to me; I did not go to them. They dropped the two fundamental things that I objected to. We would not have rates made in London. The rates were to be made in New York, and we would have no rebates.

Mr. HARDY. You mean to say you can make more money out of the conference than you could in it?

Mr. BARBER. They lost money every year. The first year we lost considerable money, but we hung on, and the shippers stood by us.

Mr. HARDY. How came the shippers to stand by you?

Mr. BARBER. Because they recognized that we fought for their interests.

Mr. HARDY. Then when you went into the agreement with these other lines did these shippers recognize that you were not working for them?

Mr. BARBER. No; because we maintained our principle. We have the rates made in New York. The trouble was before that when a merchant had some freight, anything out of the ordinary way, the agents would meet and they would not give him a rate until they heard from London. They would cable to London and it would take sometimes two or three days before the man got an answer.

Mr. HARDY. Mr. Barber, on the whole, do you find that it is not to your interest to come into this conference?

Mr. BARBER. No; the Norton Line just came into the conference on fair terms.

Mr. HARDY. Do you think you are now better satisfied, being in the conference, than you were when you were fighting them?

Mr. BARBER. I am.

Mr. HARDY. Is that because you can make better money, more profits?

Mr. BARBER. We can make more money and we can make better service for our shippers.

Mr. HARDY. So then you are in favor of the combination?

Mr. BARBER. But, mind you, it must be reasonable combination. You put in the mouths of some of the people here that a conference means rebates and pooling. It does not mean anything of the sort.

Mr. HARDY. Have you got it in the River Plata trade, now coming north?

Mr. BARBER. Not southbound.

Mr. HARDY. I am speaking about northbound.

Mr. BARBER. Just disassociate one from the other. They are quite separate items.

Mr. HARDY. I am disassociating them.

Mr. BARBER. That is a mere bagatelle. The northbound business on which the rebates are paid does not amount to five or six thousand dollars per steamer.

Mr. HARDY. What have you got the rebates for?

Mr. BARBER. They have got it—I did not. They have got it with the idea that they can hold on to their general cargo shippers by it.

Mr. HARDY. That is what they have got it for?

Mr. BARBER. Yes; and I inherited that.

Mr. HARDY. Does not that ultimately mean that every man that has not got ingenuity enough to stand out must ultimately come into the combination, and that you fight every new man that wants to come in?

Mr. BARBER. That is it in a general way. You have got to fight your way in, just as a cab driver or a lighterman, if he has got a business and wants to stick to it, he has got to fight.

Mr. HARDY. Does not that mean that the combination fights every man that wants to stay out?

Mr. BARBER. As a rule.

Mr. HARDY. Do you know any exceptions?

Mr. BARBER. I do not. At times things are so busy that you do not have time to fight the other man.

Mr. HARDY. Occasionally there is a little flyer that you do not get into?

Mr. BARBER. Yes.

Mr. HARDY. And they fought you, they fought Bull, and they fought the Lloyd Brasileiro?

Mr. BARBER. Mr. Bull was not down there.

Mr. HARDY. I mean whatever trade he was in. He was not in that trade.

Mr. BARBER. You speak about the American people. The foreign people are not as bad as that, I tell you.

Mr. HARDY. How is that?

Mr. BARBER. The foreign people are not as bad as that. The American people are terrible.

Mr. HARDY. The foreigners do not fight as hard as the Americans?

Mr. BARBER. No.

Mr. HARDY. Do you think there is any difference unless it is in degree?

Mr. BARBER. We are much more polite than those American fellows.

Mr. THAYER. When you speak of a reasonable combination do you mean reasonable in the ordinary acceptation of the term?

Mr. BARBER. Yes.

Mr. THAYER. Or in the distorted sense in which it is sometimes used?

Mr. BARBER. In the ordinary acceptation of the term.

Mr. HARDY. That is, reasonable as you view it from your standpoint and your interest?

Mr. BARBER. Yes.

Mr. HUMPHREY. The combinations are reasonable in the estimation of the people that are running them, are they not?

Mr. BARBER. Not always. I have been in combinations that I thought unreasonable, and kicked about it.

Mr. HARDY. In other words, benevolent mastery of the situation is what you wanted?

Mr. BARBER. You have got to meet your shippers, your customers, and if you are going to continue the business you have got to please them—let yourself out to please them—and if you charge them unreasonable rates you will have them against you and will soon have opposition.

Mr. HUMPHREY. Suppose you have some man in South America that is shipping coffee. Suppose that he protests against the action of the conference lines. If he is a small shipper what can he do?

Mr. BARBER. He must exercise ingenuity to get around it. I do not know how that is. These difficulties are made for people to overcome. They do not have to go to Congress to get redress. They have got to find it for themselves.

Mr. HUMPHREY. Then you think if a shipper can not meet these conference lines it is his own fault or lack of ingenuity?

Mr. BARBER. That is about it.

The CHAIRMAN. Are you engaged in the trade to the west coast of South America?

Mr. BARBER. Not at present.

The CHAIRMAN. When did you withdraw?

Mr. BARBER. We withdrew in 1910.

The CHAIRMAN. What other lines were then operating to the west coast of South America?

Mr. BARBER. The same as now. There were three.

The CHAIRMAN. Name them.

Mr. BARBER. The Grace Line; Wessel, Duval & Co.; and the New York & South American Steamship Line.

The CHAIRMAN. Why did you withdraw from the west coast of South America trade?

Mr. BARBER. Well, we had differences of opinion with the owners of the line, and we preferred to be independent, to run our own business our own way.

The CHAIRMAN. Do you mean to say that when you were in the trade to the west coast of South America you were in a running agreement or understanding between yourself and those other three lines mentioned?

Mr. BARBER. No; it was not that.

The CHAIRMAN. Well, what was it?

Mr. BARBER. Well, the New York & South American Line is owned and controlled by the United States Steel Corporation, the Steel Export Corporation, and we were running that line for them. We began that on our own account. We were with them in one or two ships on joint account with them, and then ran it for their account, and there was some difference of opinion between us as to the trade, and we preferred to be independent, and gave up the line.

The CHAIRMAN. What do you know about the uniformity of rates between the lines operating to the west coast of South America?

Mr. BARBER. We used to get them as near as we could, but there was no actual conference or agreement that we could stand by.

The CHAIRMAN. What was the principal line operating to the west coast of South America in 1910?

Mr. BARBER. The Grace Line, and still is. They have by far the largest line and the most powerful interests there on the west coast.

The CHAIRMAN. At the time that you did operate with them you did have uniformity of rates, between yourselves and them, did you not?

Mr. BARBER. Well, to a certain extent we did; yes.

The CHAIRMAN. You testified in the Olcott inquiry, did you not?

Mr. BARBER. What was that, about the Steenerson matter?

The CHAIRMAN. Steenerson; yes.

Mr. BARBER. Yes.

The CHAIRMAN. You then testified that your relations with the Grace Line were very friendly, did you not?

Mr. BARBER. Oh, they were friendly, certainly.

The CHAIRMAN. And that you had an agreement with them in reference to the rates?

Mr. BARBER. Well, there was an understanding that we would not—

The CHAIRMAN. Did you not use the word "agreement"?

Mr. BARBER. I may have used the word "agreement." I do not know.

The CHAIRMAN. If you did, was that the fact?

Mr. BARBER. There was no definite agreement between us and Grace & Co. The agreement was made between the Steel Corporation.

The CHAIRMAN. You mean between them and the Steel Corporation?

Mr. BARBER. Yes.

The CHAIRMAN. That the rates should be the same?

Mr. BARBER. Yes.

The CHAIRMAN. And you were acting as agents of the Steel Corporation in carrying out the agreement?

Mr. BARBER. Yes.

The CHAIRMAN. Was there any understanding between yourself and any of the lines mentioned that you should withdraw from the west-coast trade if they would keep out of the River Plata trade?

Mr. BARBER. Nothing whatever to it. It was owing to a difference of opinion on the Argentine business that we gave up the line. The east-coast trade was to Bahai Blanca. Bahai Blanca is an Argentine port, and it was our suggestion first that we let the steamers call there. But we had contracts for Bahai Blanca with our River Plata steamers, and it was because the steel company wished us to regulate our rates to Bahai Blanca that we gave it up. We preferred to be perfectly free to make our own rates without any dictation from any company.

The CHAIRMAN. Is there any other line trading to Bahia Blanca than yours?

Mr. BARBER. The Grace Line and the New York & West Coast South American Line call in there frequently. We only call when we like. We send one or two steamers a year there, rather to keep up the connection.

The CHAIRMAN. Are you in an agreement with them with reference to that trade?

Mr. BARBER. Nothing whatever. We can make any rate we like, without any reference to them, and we do.

The CHAIRMAN. How are the rates, in fact? Are they uniform between the different lines?

Mr. BARBER. They should be, but I believe they sometimes cut without saying anything to us when they want the freight. And we can do the same with them if we want to.

Mr. THAYER. When you say you gave up that trade do you mean by that that you were forced out of the trade?

Mr. BARBER. No; we resigned as agents for the steamers. We were agents for the company.

Mr. THAYER. Were you forced out as agents?

Mr. BARBER. We were not forced out. They wished us to continue, and asked us to continue, but we simply preferred to give it up; and then they asked us if we would let one of our young men run the line for them.

Mr. THAYER. Could you have continued if you had done what they wanted?

Mr. BARBER. Oh, yes; certainly we could.

Mr. THAYER. That is what I desired to know.

Mr. HARDY. You could not have continued as their agents without doing as they wanted?

Mr. BARBER. Not at all, that is just it.

Mr. THAYER. That is, it is a difference of terms between them, that is all.

The CHAIRMAN. Mr. Barber, do you say that your company within two years past, has not been a party to any agreement or agreements, or any understanding or understandings with the New York & South American Steamship Co., the Grace Line, the Wessel & Duval Co. Line, known as the West Coast Line, with reference to the passenger or freight traffic to or from the United States?

Mr. BARBER. To the west coast of South America, do you mean?

The CHAIRMAN. Yes.

Mr. BARBER. Absolutely none.

The CHAIRMAN. I believe you say that your line trades to China, Japan, and the Philippines?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Tell the committee if your company is a party to any agreement or agreements, or any understanding or understandings, with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States to Japan, China, or the Philippine Islands.

Mr. BARBER. We are parties to the agreement made in London which formulated in the pooling agreement that I think you have before you now, have you not?

The CHAIRMAN. You refer to the case of United States of America, petitioner, against the American-Asiatic Steamship Co., and others, defendants, now pending in the District Court of the United States for the Southern District of New York?

Mr. BARBER. I do.

The CHAIRMAN. And Exhibits 1, 2, 3, and 4, referred to therein?

Mr. BARBER. Yes; they practically cover, with slight alterations, the agreement under which we are working.

The CHAIRMAN. These exhibits are printed beginning on page 27—

Mr. BARBER. Will you let me see them to see if we are talking about the same things?

The CHAIRMAN. They go from page 27 to page 85 of the record in that case. Do you want to look at them?

Mr. BARBER. That is the summons and the complaint that were served upon us. We have the petition all right. I think Mr. Gottheil produced them when he was here the other day.

The CHAIRMAN. Yes; have you read the testimony of Mr. Gottheil?

Mr. BARBER. Not entirely. I have not quite caught up to that. I have it here. I have read the summary in the newspapers. I have not read this printed testimony thoroughly.

The CHAIRMAN. As I understand it, you agree that the contracts printed with the Government's petition in the case referred to as Exhibits 1, 2, 3, and 4, are still in force as between your line and the other conference lines mentioned therein?

Mr. BARBER. They are.

Mr. HARDY. If you have these agreements in the China, Japan, and Philippines trade, how is it that you have not the same kind of agreements in the west coast of South America trade?

Mr. BARBER. We do not run to the west coast of South America.

Mr. HARDY. How is that?

Mr. BARBER. We do not run to the west coast. The east coast is the coast we run to.

Mr. HARDY. You have some agreement in the east coast, then?

Mr. BARBER. We have no written agreement; we have an understanding which has been threshed out year after year until now we have got it right.

Mr. HARDY. You have got it now so it does not have to be in writing? It is well enough understood without that?

Mr. BARBER. We get along all right without that.

Mr. HARDY. Is there any reason why you do not put it in writing?

Mr. BARBER. Yes; some of these fellows are scared. I would put whatever I agreed to in writing and stand by it, but these fellows are scared. They think there is some Government bogey to scare them, and so they will not put it in writing.

Mr. HARDY. But it operates just the same?

Mr. BARBER. It does not operate just the same. For instance, the Norton Line does not come to our meetings in the River Plata trade.

Mr. HARDY. The Norton Line is just wobbling a little?

Mr. BARBER. Mr. Lilly will tell you when he comes. You can ask him.

Mr. HARDY. But so far as your line is concerned, you might just as well have a written agreement?

Mr. BARBER. We might just as well have a written agreement as any.

The CHAIRMAN. Then the fact that it is not in writing does not prevent you from carrying out the agreement between you?

Mr. BARBER. No.

The CHAIRMAN. You are also engaged in the South African trade?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Tell the committee whether your company is now or has been within, say, two years past a party to any agreement or agreements—

Mr. BARBER. Twenty years ago?

The CHAIRMAN. Wait a minute. I say, a party to any agreement or agreements or any understanding with any other steamship line

or lines as regards either the freight or passenger traffic to or from the United States and South African ports?

Mr. BARBER. We act for the Union Castle Steamship Co. and the Clan Line Steamers who combined and formed the Union Clan Line from New York to South and East Africa. They have a conference in London, and we act simply as agents. We take our instructions from them, and we carry them out. We, the agents of the South African lines, with the exception of the Nortons, meet every week to report as to progress of the loading of the steamers and arrange other incidentals in connection with the business. If there are any rates which want to be raised or lowered, we discuss that and make our recommendations to London, and in due course we hear whether they are acted upon favorably or whether disallowed.

The CHAIRMAN. The rates are made in London?

Mr. BARBER. They are made in London.

The CHAIRMAN. As I understand it, you have no authority to change them except on advice from London?

Mr. BARBER. We have not.

The CHAIRMAN. And the lines engaged in the South African trade have a pooling as well as rebate agreement, have they not?

Mr. BARBER. They have no rebate system now. They got scared out a few years ago. We used to have one, and they thought they would drop it, and they did drop it.

The CHAIRMAN. Do they have a pooling agreement?

Mr. BARBER. They have a pooling agreement—it has been testified they have a pooling agreement.

Mr. THAYER. Were you engaged in the South African trade a few years ago before you entered into the conference lines?

Mr. BARBER. Before we entered into the conference line?

Mr. THAYER. Before you got into the combination?

Mr. BARBER. At the start—the first steamers out to South Africa were started by Norton for Bucknell and Donald-Currie, and within a week or two weeks the Union Line and the Clan Line put on a line here and appointed us their agents. Arkell & Douglass were joint agents with us at first, and we also had a joint interest in the line to begin with.

Mr. AYRES. These are all European lines?

Mr. BARBER. They are all European lines. There was no line from here to South Africa up to this time except a few sailing vessels.

Mr. THAYER. You do not have the insuperable objection to having rates made in London in these cases?

Mr. BARBER. We used to have; a little while——

Mr. THAYER. Let me finish my question. You did not have the insuperable objection to having the rates made in London on this trade that you had in your other trade?

Mr. BARBER. No. We did make them here for a little while while the fight was on. We had to make them here, as the fight went along; but the fight did not last long before the people met in London in conference, and it has been so ever since.

Mr. HARDY. Mr. Barber, what per cent of the companies you represent—what per cent of their capital is in America? Have you ever investigated that feature?

Mr. BARBER. Except our own steamers we have no American capital in the lines.

Mr. HARDY. In none of the lines that you refer to?

Mr. BARBER. No; I think all the lines are European capital.

Mr. HARDY. European corporations?

Mr. BARBER. Yes.

Mr. HARDY. But are there no American stockholders?

Mr. BARBER. I think not.

Mr. HARDY. How much American capital is there in your line or lines?

Mr. BARBER. It is almost all American capital; there is very little British capital in that.

Mr. HARDY. I believe you said you have \$200,000 of stock?

Mr. BARBER. That is Barber & Co. (Inc.). Each of our steamship companies are separate companies.

Mr. HARDY. How much American capital is there in your steamship companies?

Mr. BARBER. Oh, I should think, probably, \$250,000.

Mr. HARDY. In your steamship companies?

Mr. BARBER. Yes.

Mr. HARDY. Is that more than one company?

Mr. BARBER. Two companies.

Mr. HARDY. And only \$250,000 capital in it?

Mr. BARBER. Yes. We have three steamers or, rather, we have four steamers—three steamers which were intended for the China Line and one for the River Plata Line.

Mr. HARDY. Are all your steamers separately incorporated?

Mr. BARBER. One is separately incorporated and the other three belong to one company.

Mr. HARDY. You have not yet adopted in full, then, the idea of incorporating these steamers separately?

Mr. BARBER. It is not necessary.

Mr. HARDY. Except in case of liability or loss, something of that sort.

Mr. BARBER. That is protected in another way.

Mr. HARDY. That was Mr. Gottheil's suggestion?

Mr. BARBER. Well——

Mr. AYRES. Mr. Barber, with regard to the trade with the Orient, Japan, and the Philippines—is it your purpose that when the Panama Canal is opened to change your line and use the canal?

Mr. BARBER. I think we shall. I think that the Japan end of it will be run through the Panama Canal—perhaps Japan and Shanghai and Manchuria, but for Singapore, the Philippines, and Hongkong, I think we can get along just as well through the Suez Canal.

Mr. AYRES. Mr. Barber, you said a while ago that all your boats, excepting one, were sailing under foreign flags.

Mr. BARBER. Yes.

Mr. AYRES. If you use the Panama Canal and were given some kind of a differential on account of sailing under the American flag, would you change to that flag?

Mr. BARBER. It depends upon how much it amounted to. We would have to look into the matter. To sail under the American flag as our laws are would cost us a good deal more than to run under the foreign flags. I think we could not get our laws changed

to fit in with the rest of the world. It is a question of what we would save in canal dues, and whether it would offset what we would save in running our ships.

Mr. AYRES. How many tons are your boats as a rule?

Mr. BARBER. Our steamers as a rule carry about seven or eight thousand tons.

Mr. AYRES. And if you used the canal and had a differential of \$1.20 a ton?

Mr. BARBER. That would be per ton on the net and would not be on the carrying capacity.

Mr. AYRES. It would give you a differential on each trip of somewhere from \$7,000 to \$9,000.

Mr. BARBER. The net tonnage of the ship is only about 3,000 tons.

Mr. AYRES. So it would give you a differential of about \$4,000.

Mr. BARBER. That is all.

Mr. AYRES. Would that be sufficient to induce you to change your boats to the American service?

Mr. BARBER. It might; but there would not be much in it.

Mr. HUMPHREY. A few more questions along the line I was pursuing a while ago. Now, the testimony has been before this committee, I think universally, that a great many vessels coming from South America—that is, the east coast of South America—to this country, come in ballast?

Mr. BARBER. Yes; a great many do.

Mr. HUMPHREY. Yes; I think the testimony is almost universal that there is not much trouble in getting cargoes going in that direction.

Mr. BARBER. Southbound?

Mr. HUMPHREY. Yes; southbound. What is puzzling me, in view of that fact, is the statement I asked you about a while ago, that the rates are higher going down than they are coming back.

Mr. BARBER. That would be one good reason, because the steamers want the cargoes coming back.

Mr. HUMPHREY. Would not that have a tendency to make it where you had such small trade as that, where the smaller amount of trade the less you carry it for; is not that something unusual?

Mr. BARBER. No; it is not. Why, for instance, the trade from this country to Europe is much heavier than the trade westbound, and for that reason we bring over cheap stuff from Europe to New York to ballast our ships out, and so coming up from the Plata we took 10 shillings a ton northbound, whereas we were getting 25 cents on the stuff going down.

Mr. HUMPHREY. I want to read you a statement from Mr. Lowry's testimony here and see whether you think this is true or not. He says:

We are paying about \$8 a ton on coffee, when we are paying about \$11 a ton on lumber down there. Now, lumber is a commodity which costs very much more to handle than coffee. We heard Mr. Schlecta say yesterday in regard to this triangular course; I made a note of it at the time. I think he said that this triangle was from New York to Europe, Europe to South America, and South America to New York; that that was about the trend of freight. Well, that may be of high-class freight. I do not know anything about high-class freight, but it looks to me as though the trend was just the opposite to that—from Europe to New York, from New York to South America, and South America to Europe. I think his own argument shows that. He had 32 steamers leaving 100 per cent full last year, and he brought very little coffee back in. Also, if 1

remember right, the Prince Line declared a dividend of 7 per cent in 1911, and they carried our products down and bring coffee back.

Going further over, and talking about the same thing, he says:

In addition to that, as I stated, the freight on coffee up is about \$8 now, when they have raised the rate, while \$11 has been obtaining a ton for lumber going down. So it looks very much as though he was wrong about that particular angle of the triangle, anyway. We will now talk about the other. The effect of it is this: The merchant of the United States and the manufacturer has to pay 40 or 50 per cent more to send his goods down there than the Englishman does.

Mr. BARBER. That is not so. The rate from this country to South America is about the same and often less than it is from Europe. There are quite different commodities to deal with, and the return business is a business very costly, and there is not much of it, and the ships in the trade would like to get it, and they get it and bring it up.

Mr. HARDY. Whose testimony was that?

Mr. HUMPHREY. The testimony of Mr. Lowry. Now, is not the very purposes of your rebates and combines to keep the coffee rate from being cut from that country to this?

Mr. BARBER. I am not in the coffee business, and I can not tell you what their object is, except as an expert I have been trying it myself. I know about the coffee business, that the more you do of it the less it pays you, unless you can get a big rate. Say Arbuckles would pay 25 cents for all cargoes from Santos and Victoria and Rio to New York. You go and take that freight and carry it and discharge it and pay your expenses, and you have nothing left, but it is all gone in expenses. They take about 12 or 14 cents a bag from you before you leave Brazil.

The CHAIRMAN. Do you say there is also a European conference in the South African trade? Where does that conference meet?

Mr. BARBER. In London.

The CHAIRMAN. And what lines are in that conference?

Mr. BARBER. You mean the conference—New York steamers or the European steamers?

The CHAIRMAN. The European conference.

Mr. BARBER. I could not tell you all the lines in the European conference. There are lines in that European conference that are not represented in the American business at all.

The CHAIRMAN. The American lines and the European lines to South Africa are all in the same conference, are they not?

Mr. BARBER. No; they are in separate conferences.

The CHAIRMAN. A separate conference?

Mr. BARBER. A separate conference.

The CHAIRMAN. Who is the London representative of the conference to which you are a party?

Mr. BARBER. The cables are sent to Messrs. Bucknell & Co.—the Bucknell Steamship Lines (Ltd.).

The CHAIRMAN. I understood you to say that while they had a pooling agreement they did not have a deferred rebate agreement.

Mr. BARBER. That is so; they have none.

The CHAIRMAN. Could you not furnish us a copy of the pooling agreement?

Mr. BARBER. I do not have it.

The CHAIRMAN. Are your relations such with your partners or associates in that conference that you could procure us a copy?

Mr. BARBER. I will ask them for it, if you wish, certainly.

The CHAIRMAN. You can do it, can you not?

Mr. BARBER. I can.

The CHAIRMAN. And you will do it?

Mr. BARBER. And I will do it; certainly.

The CHAIRMAN. We will be pleased to have it. You referred, also, I believe, to the boat in the trade to Dunkirk and Havre.

Mr. BARBER. Yes.

The CHAIRMAN. A while ago you said your line, I believe, has a capital of \$250,000. That would not buy many ships, of course.

Mr. BARBER. No.

The CHAIRMAN. That would not enable you to own many ships. Do you charter ships principally?

Mr. BARBER. We charter ships very largely; yes.

The CHAIRMAN. What ships do you run between New York and Havre and Dunkirk?

Mr. BARBER. Oh, whatever ships we can get—any sort of ships.

The CHAIRMAN. What conference are you in in the European trade?

Mr. BARBER. None.

The CHAIRMAN. You mean to say that those are tramp ships?

Mr. BARBER. They are tramp ships; yes.

The CHAIRMAN. And they are not in any conference or pool with any other shipping line?

Mr. BARBER. No.

The CHAIRMAN. Do they run regularly?

Mr. BARBER. Regularly; once or twice a month we send a ship.

The CHAIRMAN. What is the character of their trade?

Mr. BARBER. The character of their cargo?

The CHAIRMAN. Yes.

Mr. BARBER. Oh, grain, lubricating oil, cotton, lumber, and various manufactured articles, machinery, and things of that sort.

The CHAIRMAN. Do you operate under contracts with shippers?

Mr. BARBER. We have some few contracts, not many.

The CHAIRMAN. Have you any understanding or agreement with any of the North Atlantic steamship lines that you shall only operate to these two ports in Europe?

Mr. BARBER. No; we do operate to other ports occasionally. We are loading steamers from Dundee for New York now.

The CHAIRMAN. What is the character of the freight they bring westbound?

Mr. BARBER. They bring jute and manufactures of jute. They bring granite, whisky, and dry goods.

Mr. HARDY. You say you have absolutely no understanding with any other ship lines—your line from New York to Havre and Dunkirk?

Mr. BARBER. There is only one other line running—the French Line. We are pretty friendly with them, but we have no understanding at all.

Mr. HARDY. But you have no understanding with the other lines that run some where else and do not go to Dunkirk?

Mr. BARBER. Oh, no; we just sent one of our steamers to Antwerp. There is one there now discharging.

Mr. HARDY. So that that line of yours is absolutely untrammelled and unconnected?

Mr. BARBER. Quite so.

Mr. HARDY. With no relations, affiliations, or understandings?

Mr. BARBER. I think with the exception——

Mr. HARDY. Of which?

Mr. BARBER. They are the exceptions that prove the rule.

Mr. HARDY. How is it that they let you live?

Mr. BARBER. I do not know—kindness of heart, I suppose.

Mr. HARDY. You are in so many trades that they just let you go on that little string. Is that the company that has got \$250,000 stock?

Mr. BARBER. No; it is stock—each of those ventures of a steamer like that is finished up when she gets through with it.

Mr. HARDY. I believe that is the company which had \$200,000 and \$200,000 preferred.

Mr. BARBER. That is our own company—Barber & Co.—they are the ones who operate these steamers.

Mr. HARDY. That is what I am talking about—these lines from New York to Havre.

Mr. BARBER. Yes.

The CHAIRMAN. Is there any community of interest in the way of ownership between the French lines and yours in that trade?

Mr. BARBER. None whatever.

The CHAIRMAN. In any way?

Mr. BARBER. None whatever.

The CHAIRMAN. You have no understanding with them?

Mr. BARBER. No; I think their idea is that some time we will have to drop out—they have a subsidized line. They are the only line we run against which has a subsidy; the French boats have a good subsidy.

The CHAIRMAN. But you maintain uniform rates?

Mr. BARBER. No; they take lots of stuff cheaper than we do, especially in the last few months, when rates have been very firm all around, they have kept on their rate, and they would not put the rate up.

The CHAIRMAN. Is it because they have not boats enough to carry the trade?

Mr. BARBER. Well, I think—the shippers remember how they were treated when they had only the French Line, and they would rather support us to have some check upon it.

The CHAIRMAN. Then there is some profit to the shippers when there is some open competition?

Mr. BARBER. I beg your pardon.

The CHAIRMAN. Then, where there is some open competition, there is some profit to the shipper, and he gets a square deal.

Mr. BARBER. I think he gets a square deal all the time, unless there is a monopoly, like there was in the French Line before.

The CHAIRMAN. And like there is in the Brazilian and River Plate trade.

Mr. BARBER. Oh, no; that is not a monopoly. Too many of us have it.

The CHAIRMAN. But it seems as if you are all in an agreement.

Mr. BARBER. No; they are not all in an agreement. Some people will not ship over our lines and some others will not ship with them, and some will only ship with us and not with them.

Mr. HUMPHREY. But they all have to pay the same rate, even though by a different line.

Mr. BARBER. As a rule.

The CHAIRMAN. It is Hobson's choice, after all.

Mr. BARBER. Oh, no; a real choice.

The CHAIRMAN. Is there anything in their agreement with the Government that prevents them making any arrangements with you?

Mr. BARBER. I do not think there is.

The CHAIRMAN. Are there any other questions to be asked Mr. Barber?

Mr. HARDY. I do not think of any.

The CHAIRMAN. We will excuse you, with this understanding: We do not want to detain you here for these other people, but you will be subject to call by the committee some other time, and we will notify you by letter or wire if we should wish you to return.

Mr. BARBER. I shall probably be here sometime this week or the week after. How long are the sessions of this committee going to last?

Mr. HARDY. I think the main thing we want is for Mr. Barber to send that pooling agreement he spoke of, if he can get a copy of it.

Mr. BARBER. Yes. There are one or two other things I would like to say, if the committee will hear me.

The CHAIRMAN. If you wish to say them before you go, we will go over and answer roll call and can be back in 30 minutes.

Mr. BARBER. If you prefer, I will wait until to-morrow.

The CHAIRMAN. Very well. We will now adjourn until to-morrow morning, at 10.30.

Thereupon, at 3.20 o'clock p. m., the committee stood adjourned to meet to-morrow, Saturday, January 18, 1913, at 10.30 o'clock a. m.

SATURDAY, JANUARY 18, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Collier, Ayres, Thayer, Stone, Faison, Humphrey, and Stephens.

The CHAIRMAN. I desire to place in the record an agreement between the Prince Line and the Lamport & Holt Line and the Hamburg and South American Steamship Line, which Mr. Gerhard offered in evidence, and which is referred to on page 238 of the hearings, and which is marked as "Exhibit 33." The stenographer will note and incorporate the exhibit in its proper order.

EXHIBIT 1.

Memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line, of Newcastle-on-Tyne; and the Hamburg-American Line and the Hamburg-Sudamerikanische Dampfschiffahrts-Gesellschaft, of Hamburg (hereinafter called the Hamburg Lines), for the better regulation of the trade between the United States of America and Brazilian ports and vice versa. Whereby it is mutually agreed as follows:

OUTWARDS.

1. That the departure of the lines, unless otherwise mutually agreed, shall be as follows: Messrs. Lamport & Holt, 24 sailings per annum; the Prince Line, 24 sailings per annum; the Hamburg Lines combined, 24 sailings per annum; an itinerary covering the requirements of the various ports to be drawn up and agreed upon, the object and intention being that any excess of tonnage for any particular destination may be avoided.

2. Pending a basis for a pooling agreement being arrived at, a tariff of rates from New York to be drawn up and strictly adhered to without any modification whatever except as they may be altered by agreement in meeting or in writing.

3. Consideration to be given to the reestablishment of a deferred rebate system on the same lines as that in force from Europe.

HOMEWARDS.

4. From the 1st of July, 1908, the departure of the Hamburg Lines from Brazilian ports to New York shall not exceed 24 steamers per annum, and those of the Prince Line 24 steamers per annum to New York and 12 steamers per annum to New Orleans, Messrs. Lamport & Holt only to be at liberty to dispatch such number of steamers as may suit their convenience. The Hamburg Lines to withdraw their service to New Orleans, the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line.

5. The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement. No rebates or discounts of any kind whatsoever to be given or allowed except such as may be provided for hereafter. The rates of freight on all other articles, excepting on sugar from the northern ports, also to be agreed upon and adhered to.

6. A rebate system to be established on the same scale as that presently in force for Hamburg, under which all shippers will be required to confine their shipments either to the United States or to Antwerp, Rotterdam, Amsterdam, Hamburg, and Bremen, to the steamers of the parties to this agreement or to other lines which may be in conference with the Hamburg Lines in their Brazil-Europe service. An agreement, if possible, also to be come to with the Royal Mail Co., the Chargeurs Reunis, or other lines under which the shipments to Havre and London may be brought within the same rebate system.

7. In the event of any of the parties to this agreement starting a service in which they have not already been engaged previously, and by which they are entering into competition with any trade in which any of the other parties to this agreement are at present engaged, it will be competent for any party whose trade may be so interfered with to withdraw from this agreement forthwith.

8. Should any unforeseen contingency arise not contemplated under this agreement, the same shall be taken into consideration, and, if possible, provided for.

9. Should any claim be made under this agreement by any one or more of the parties hereto in respect of any alleged breach by any other party or parties, the matter shall be referred to the decision of two arbitrators in London, one to be appointed by the party or parties claiming or objecting, as the case may be, and the other by the party or parties against whom the claim or objection is made, with power to such arbitrators to appoint an umpire, and the decision of the said arbitrators or umpire shall be final and binding upon all the parties hereto.

10. This agreement shall commence as from the date hereof and shall remain in force until the 31st December, 1913.

Dated in London 14th February, 1908.

BALLIN LOESER,
For the Prince Line.
JAMES KNOTT,
Managing Director.
TH. AMBINCX, CROPP.
LAMPORT & HOLT.

Signed by Mr. Knott subject to the confirmation of the Prince Line abroad in regard to the duration clause. Failing such confirmation, the agreement, so far as the Prince Line is concerned, to run for one year, say, to 30th June, 1909.

subject to six months' notice of termination, always expiring on 30th June in any year.

J. K.
B. L.
TH. A.
N. L. H.

The CHAIRMAN. We will hear from Mr. Barber. Mr. Barber, is there anything further you wish to say to the committee?

TESTIMONY OF M. HERBERT BARBER—Continued.

Mr. BARBER. I should like to speak briefly on the subject on which I was examined yesterday. The trend of the examination of myself and my confreres by some members of the committee seemed to imply that our combinations and our rebates and our pools were cramping and preventing the proper expansion of the American trade. I respectfully submit, sir, that if you will look at your consular reports, both for South Africa and for the River Plata, you will find that the American trade in those districts has increased the last five or six years far greater than that of any other country. Trade with China has not, for the reason that the political troubles there considerably checked the trade of the country, as you can easily imagine, therefore in the trade with China for the last two years there has not been such an advance as in the other parts of the world, but it is not peculiar to American trade, it affects the whole trade of the world.

Several of the witnesses have spoken as if the foreign flags were subsidized and these subsidies inhered to our detriment. The freight steamers that we handle under the American, under the British, Norwegian, Danish, Dutch, and Austrian flags do not get one penny of subsidy. The Norwegian marine, especially, has increased wonderfully in the last 20 years without one penny of subsidy, and they go all over the world and do the trading for other people.

The CHAIRMAN. Why is that?

Mr. BARBER. Because they buy their steamers where they please, where they can get them the cheapest; they do not build them themselves; they know how to man their steamers and sail them cheaper than other nations. France is the only nation we come across that we charter that do pay subsidies, but the result of that is so absurd—the amount they pay their ships and the results they get for it is so absurd—that it makes subsidies a laughing stock.

The CHAIRMAN. By subsidies do you mean freight ships?

Mr. BARBER. French freight and passenger ships, and they have all these heavy subsidies.

The CHAIRMAN. As I understand it the French pay the largest subsidies of any nation?

Mr. BARBER. I think they do.

The CHAIRMAN. And with the poorest results?

Mr. BARBER. Yes. It has also been stated by some of the gentlemen here, who ought to know better, I think, that the flag of the steamer works for the benefit of the trade of the nation that the steamer belongs to. Now, the true commerce of the world is worldwide. We have very few American merchants in the true acceptance of the term. I will instance, if you please, that if you go to a little place called Remscheid, a manufacturing town in Germany,

you will find a large building in the center of the town owned by the firm of Hasenclever. In the west end of London you will find an office where an Irishman, born in Scotland and who lives in London, has an office similar to the one I have mentioned in Remscheid, Germany. That man is named Agar. In the city of London there is a similar office conducted by a firm named Drysdale. These people are distinct from one another, but they are all engaged in the merchandising business on the River Plata. These men at first shipped their own products of their own country out there, but they found that the products of other countries were wanted. They go to Germany—the Englishman does and so does the Irishman—and to Austria, and the German goes to England to buy his stuff, and they have found that American agricultural implements were required and they have found their way into the Argentine, but they do not, as you might imagine, sell from their own store and get the money and send it home. They have an immense establishment down there, each of these people, covering almost a block of land, where they show implements from all over the world. These immigrants who come out from Italy and Spain and France to settle on the farms there are without any money; they have nothing but their right hands and their families with them; they go and get a piece of land, and these firms—they are specialists—they have their supply and they supply those men with their implements, with their seeds, with their mules, and with their lumber to build their houses, and with their barbed wire to fence their fields, and they make a good profit.

They sell to these men and wait until their harvest is sown and reaped, sometimes two or three years before they get their money back, but they come over here to this country and go to the harvester companies and they buy 20,000 and 30,000 tons of harvesters from them, and they go to the plow companies and buy their plows, and they go to the thrashing-machine people and buy their thrashing machines. All these things they send out. They make their own freight arrangements with several ships and send this material out to their own people, who deal with the natives. They pay for those implements when they get them from the American manufacturers, and in due time they get a good profit out of it. Those people are merchants. Do you think that the flag of the ship, or the flag of the manufacturer, would affect them at all? You can see plainly enough that it does not. You ought to know well enough that commerce is not a trade; that the commerce of the world, as it is now, is a profession, and the men who can handle—we have some merchants of that sort here, Mercer & Grace, who send out their representatives: they are one of the typical sort. There is also Mr. Farrell, of the steel company. The Standard Oil Co. and the steel company do more export trade with these countries than a hundred commission merchants. They have increased their exports of steel to China and Japan, where several years ago we never got 500 tons of exports a month. The exports this month to China and Japan amounted to 22,000 tons, which they have tendered to us to carry. If the Standard Oil Co. and the steel company were not in existence, we could not send two steamers a month to China and Japan, where we now send five. I think that due credit should be given to people, to whom credit is due, but the flag has not the slightest influence with the

world-wide merchant. Mr. Grace will charter any ship he can get at the lowest price, and he knows well enough that the flag has no more effect on the bulk of the trade he does than the color of the paint on the ship.

Mr. STONE. One of the first witnesses suggested that one reason we were not having trade in South America was that the press dispatches from Paris and European ports to South American countries prejudiced those people against the United States and in favor of the products of those countries?

Mr. BARBER. How then is it that the trade has increased so much all these years? That is not so, sir.

Mr. HARDY. That may be so to this extent, that every man pushes his own wares and decries the other man's wares, and the individual interests in Europe may decry the interests in America; is not that so?

Mr. BARBER. It is not so. I have shown you that the German and the Irishman come here to buy hundreds and thousands of tons of our products.

Mr. HARDY. That may be true, and at the same time they may talk to those people and tell them that they had better buy through them?

Mr. BARBER. Yes; buy through him, he wants to do the business with the country.

Mr. HARDY. I have been maintaining persistently just what you say now, that a man who wants to buy something wants to get it where he can get it the cheapest, regardless of the nationality, and regardless of where it is made.

Mr. BARBER. Exactly.

Mr. HARDY. And we trade with those people who make it to our financial interest to do so?

Mr. BARBER. That is so. Then it was made to appear as if these combined lines in New York were oppressing any line that started, especially anyone which started from the Gulf. I could tell you a little story about what happened with reference to the first steamers which went down from New York to the River Plata. Messrs. Hasenclever & Ager came to us and to our confrères. When the line from New Orleans was advertised and seemed to be a fact they were going to send a cargo, and Messrs. Hasenclever & Agar came to the lines in New York and said: "Now, these people are making this harvester company a 12-cent rate from New Orleans against your 16-cent rate from New Orleans. We do not want you to break your rate, but we think you ought to give us a chance to use that rate, especially if the harvester company can get 3½ cents per hundred differential in their favor to New Orleans." We asked them how much they wanted to ship. They thought they would like to ship 2,000 tons each. "Very well," I said, "we have no objection if you will ship 4,000 tons." "But," they said, "we will not do it unless you will give us a man to go down to New Orleans and see that the cargo is properly handled and stowed. We do not want any of these newcomers to go and make a hash of our cargo at the other end." Well, sir, we gave them that. A man from our docks went down to New Orleans and saw the cargo stowed. So much for the oppression. That is absolutely what took place, and it can be verified by their own papers down in New Orleans.

Now I come, perhaps, to a little dangerous point; that is, the question of rebates and pooling. I am an American citizen; I have lived in one house for 33 years, and I am a member and an officer of a golf club, a men's club, and the Episcopal Church, and I am a pretty reputable citizen where I live; at the same time, I am not ashamed to say that I have paid rebates, and I am now a member of a steamship pool, and I can justify my position to my neighbors and to you, gentlemen, if you will listen to me for a minute or two.

The word "rebate" has been very much distorted in this country. The word "rebate" in this country is thought to be some sort of a sneaking bribe, a sort of a bribe a railroad man offers to the shipper or a shipper will extort from a railway company, or it is perhaps worse; it is perhaps thought to be stealing, a rake-off that a corporation will exact from a carrier on the goods of the other man that is shipping. You will find nothing of that sort in the steamship business, except it may be possibly in the Australian trade. My friend, Mr. Douglas, if you may probe deep enough, you will find something of that there; but as far as South America, China, Japan, and South Africa are concerned, you will find nothing of that.

Our rebates to China started this way: In March one year, without putting on any string or any extra charge to the people, we said to them, "Now, if you will confine your shipments to the associated lines"—I think there were four or five of us—"during the coming year we will, at the end of six months, return you 10 per cent of your freight, beginning with what you have paid us since the 1st of January." That seemed to appeal to them as a good idea, and they thought they would try it. They took it, and we paid it regularly. Sometimes when trouble arose, and they began to ship over other lines and over other routings, the question would arise whether we should pay it or not. I would say, "Oh, let them have it," and they got the money. There never has been a cent held back. They had the right to ship by way of the Pacific, which was competing with us all the time. We went on that way for several years, then this trouble arose here, and the court decisions seemed to class rebates and treat them something like petty larceny, and the Englishmen got scared and said, "We will not continue this; there may be trouble." So we said, "Very well; if you do not want to pay it we will stop it," and we simply told the shippers. From this time on there have been no rebates. Who did you benefit by that action; who is going to benefit by your action?

Mr. HARDY. When did you make that change and tell them there would be no rebates thereafter?

Mr. BARBER. I think it was in February of 1910, or 1911, perhaps.

Mr. HARDY. And there have been no rebates since then, do you say?

Mr. BARBER. There have been no rebates since then.

Mr. HARDY. In what trade was that?

Mr. BARBER. The China-Japan trade, east bound, from this country.

The CHAIRMAN. When did that cease in the African trade?

Mr. BARBER. Before that, when the Thompson case came on.

Mr. HARDY. That is all in the east-bound trade where you stopped the rebates?

Mr. BARBER. Yes.

Mr. HARDY. Did you stop the rebates in the west-bound trade?

Mr. BARBER. No; the west bound is not our business; it is their business over in London; they pay it. And I wish to say, I think you will not find a single merchant who will come here and tell you he objects to it.

The CHAIRMAN. That is, the fellow that gets it will not object; but how about the fellow on the outside?

Mr. BARBER. There is no fellow on the outside. They are all in it.

The CHAIRMAN. It is a part of the contract that they shall ship by the conference lines. You know some men do not like to give up their liberty for 10 per cent.

Mr. BARBER. Well, they need not take the 10 per cent, then.

The CHAIRMAN. That is the condition, though, on which they surrender their rights to exercise their liberty, is it not?

Mr. BARBER. They need not take it. It is a voluntary contract on their part.

The CHAIRMAN. Do they not do it under coercion, under certain exactions?

Mr. BARBER. There is no coercion about it. Where is the coercion?

The CHAIRMAN. They must ship by your conference lines and must ship at your conference rates, and the conference rates are so high you can very well afford to pay the 10 per cent to head off competition, can you not?

Mr. BARBER. It is not so, I think. You will find the conference rates are always fair and reasonable, because, as I said yesterday, we have to keep our business. If we oppress people we soon lose our business.

Mr. WILSON. If your standard rates are just and equitable, how does it come you have to give a rebate of 10 per cent from those standard rates?

Mr. BARBER. Well, for this reason, that we can operate our ships better under a rebate system than we can if we have not got it.

Mr. AYRES. You offer a rebate for the express purpose of keeping the business, do you not?

Mr. BARBER. Yes; so we can have volume of business; so we can work our business to save the ports.

Mr. AYRES. Unless you enforce the rebate it really is not a rebate; it is nothing but a discount from your rate, is it not?

Mr. BARBER. That is what it really is, practically, and what these merchants recognize it to be.

Mr. AYRES. But when you do enforce the rebate, it is unjust, is it not?

Mr. BARBER. When do we? You can not find anyone who will come here and say that the rebate is unjustly enforced anywhere.

Mr. HUMPHREY. You say you know of no men who want to ship who are protesting against the rebate system. I have received some very vigorous protests from the Arbuckle Co. the last three or four years, protesting vigorously against your rebate system and stating that the conference lines had absolutely refused to carry any portion of their coffee unless they would enter into a rebate contract with them.

Mr. BARBER. I am not in the Brazil trade or in the coffee trade, and I only justify the rebates in our own trade, in the way we have to do with it, and the way we work it, and if you can find any shipper in our trade who will come and tell you he is dissatisfied, all right.

Mr. HARDY. In every trade in which you give rebates, you require the shippers to sign agreements that he will give you his entire trade, do you not?

Mr. BARBER. I beg your pardon, we never ask a man to sign any such an agreement.

Mr. HARDY. If you do not ask him to sign it, you carry that same thing into effect, and as a matter of fact in most of the trades they do sign those agreements, do they not?

Mr. BARBER. I do not think it is so, sir.

Mr. WILSON. Do you not notify them that is the condition on which they can get a rebate?

Mr. BARBER. That is so; yes.

Mr. HUMPHREY. What is the difference whether they sign it or not? It is all conditioned on a monopoly, is it not?

Mr. BARBER. If a man should sign an agreement, he would be breaking his agreement if he goes away and does something else. But he does not have to sign an agreement; he comes and asks for his money, says he did not ship by any other lines and wants his money, and he gets it.

Mr. HARDY. In other words, you make it a condition of the rebate that he ships by you, do you not?

Mr. BARBER. Yes; which condition is frequently abrogated.

Mr. HARDY. And you arrange your rates so that, taken with the rebates, your rate will be reasonable?

Mr. BARBER. Yes; that is the idea. Now in regard to the pooling. Pooling, you would imagine, was something like grand larceny or burglary, the way it is referred to around here, but you know the decisions as handed down by the courts declare that pooling, as long as it is reasonable, is lawful.

Mr. HUMPHREY. According to the decisions of the courts in this country, it is a crime, is it not?

Mr. BARBER. I beg your pardon, sir; in the Thompson case, which was heard in the New York Federal court, Judge Hazel decided the question as to whether the pooling was reasonable or unreasonable was not left to the jury; that if it was pooling it was unjust and in restraint of trade, and that the verdict must be for the plaintiff. We appealed that, and the judge, on the appeal, held that the judge in the lower court was wrong in so charging the jury; that he should have left it to the jury as to whether or not it was a reasonable or unreasonable restraint, and the case was sent back for new trial, and there we are now. Therefore, pooling, if it is reasonable, is lawful and just.

Mr. HARDY. Can you give a distinction as to why one pooling agreement would be reasonable, and another not? Pooling just means that the parties engaged in the business divide their earnings on some particular scale, whatever is agreed on. Why should one be reasonable and the other not be reasonable, taking two different poolings?

Mr. BARBER. The pooling of two different railroad companies, which had a franchise, and nobody could ship except by them, and by which pooling arrangement they could put their rates up that certainly might be unjust and unreasonable and in restraint of trade, but when there is pooling between steamship companies who pool for the reason that if they pool they can make a much more regular

service. Take 10 men who own 50 steamships, they can arrange their service so as to fit in and let one stranger go to four ports and another to four ports, or each steamer go to eight ports, and each steamer can leave practically on time and not wait to get all the best of the cargo.

Mr. HARDY. Your final conclusion on this question, then, is that pooling between steamers is reasonable, but that pooling between railroads is unreasonable?

Mr. BARBER. I do not form any judgment or pronounce one on railroads. I only say that so far as steamships are concerned, pooling is reasonable.

Mr. HARDY. I took your own illustration.

Mr. BARBER. I do not say it is; I say it might be.

Mr. HARDY. But no pooling between steamers could be unreasonable?

Mr. BARBER. Oh, there might be unreasonable pooling between steamers.

Mr. HARDY. What kind of pooling between steamers could be unreasonable?

Mr. BARBER. It might be.

Mr. HARDY. Can you give us, as an illustration, an unreasonable pooling agreement? All of them would be reasonable that you could possibly imagine, would they not?

Mr. BARBER. I will tell you, as far as we are concerned in the line of the pooling—

Mr. HARDY (interposing). You never, however, saw a pooling agreement where this was done to raise the rates to an exorbitant degree, to such a degree that we would have an unreasonable rate?

Mr. BARBER. You are quite right, sir.

Mr. HARDY. Your pooling agreements always recite just simply the agreement to divide earnings?

Mr. BARBER. And if you found our pooling agreement—

The CHAIRMAN (interposing). State what your pooling agreements are.

Mr. BARBER. You have all the pooling agreements in the record there, and I am quite willing to show to you or to your expert the pooling statement with the China-Japan Line for the last year or so; how it works out; how we can avoid conflict on ports and how, when a press of freight occurs in one place, we can provide for it by sending a steamer down to take care of it instead of every one grabbing the best freight and leaving the poor freight for another man. The business is all parceled out and the merchants are satisfied.

Mr. HARDY. As I understand you, the reasonableness or unreasonableness is not in the agreement itself, but in the way it is executed?

Mr. BARBER. There may be something in the agreement itself that may be unreasonable.

Mr. HARDY. What can you imagine in a pooling agreement that would be unreasonable?

Mr. BARBER. If there was something in the pooling agreement which would shut out certain ports, not calling there at all, and requiring that part of the trade to be transhipped to another port, that would be an unreasonable arrangement, so far as that port was concerned, but as long as we are willing to serve all ports in the East, as we are with our service, it is a reasonable arrangement.

Mr. HARDY. Then, if you had some pooling arrangements, or something of that kind, which leave the Gulf ports out and ship nothing from there, is that unreasonable?

Mr. BARBER. It would be, yes; but there is nothing in that, as I can show you.

Mr. HARDY. Nothing in the agreement?

Mr. BARBER. There is nothing in the execution either, because we went down and helped the New Orleans man load his ship.

Mr. HARDY. As a matter of fact, did not some of you advertise you were going to carry freight from New Orleans when steamers were advertised by Mr. Lowry, and then draw out after he stopped?

Mr. BARBER. Any line started attracts people's attention to it. You can not get any patent right on the steamship business, unfortunately. Directly you get a good thing, somebody else comes alongside of you and takes his share of it, and so those people at the Pan American, they could not keep that to themselves, if it was a good thing. Tom. Dick, and Harry can go in and put a steamer alongside of them and run down there, and you can not say they should not do so.

Mr. HARDY. I do not wish to take up the time in argument, because we want the testimony.

Mr. BARBER. As far as the far East is concerned, it is simply a question of either pooling or monopoly, you will either have to have a gigantic monopoly to hold your ships and give proper service, or this competing service in.

Mr. WILSON. What is the difference between a pooling arrangement and a monopoly in its effect upon the trade?

Mr. BARBER. A monopoly would have only one head. There is no question whatever in this case; you have got ten different shipowners, who have friends among all the merchants all around.

Mr. WILSON. Would it not have the same effect on the trade if those men were in one single corporation?

Mr. BARBER. No, sir; I think not. I think one man might be oppressive, but you will not find ten men who would. In ten men you will find some who are willing to do what is fair by their fellow men.

Mr. WILSON. What would be the difference between those ten men being the directors of the monopoly or being the ten owners of shipping lines that entered the pool—difference of effect?

Mr. BARBER. These shipping lines do not continue the same forever; they are always changing around. One goes out and the other comes in. These things do not remain the same all the time, but if you have a monopoly of one thing you would have it right under your eye.

Mr. HARDY. I would like you to explain the difference Mr. Wilson suggests, whether if you had ten shipowners all in one combination or the monopoly of ten men as directors, what would be the difference?

Mr. BARBER. These ten shipowners have all comparatively a small share in the component pool. Other shipowners come along who want to get into the pool or get into the trade and frequently they let him in. They say: "Come along—come in."

The CHAIRMAN. There would be more wisdom in ten heads than in one?

Mr. BARBER. Yes; and in the case of the Manchurian Line or Bucknell's they started against us to eastbound and westbound.

They are in the pool westbound. They are not in the pool eastbound. Now, the westbound pool works much more smoothly and we give better service to the shippers and the consignees to the westbound than the eastbound because of that one dissension. That one line is not pooled. They want to get all they can, and we want to get all we can for our ships. We hang up our ships to get special freights or special ports and we do not give as good service eastbound as westbound, owing to that rift in the pool.

Mr. AYRES. What you hold, then, is practically that a pooling arrangement that the managers conducted fairly and honestly, with due respect to the rights of the shippers, is really beneficial to the trade as long as it is conducted honestly—like Government regulation?

Mr. BARBER. It is sir; that is so.

Mr. AYRES. But you will also admit that the danger in it is that it might not always be conducted honestly and, if it were not, then it would be very prejudicial, perhaps?

Mr. BARBER. Then they would always have their rights. I never found a shipper but what could get his rights if he had any injustice to suffer; he would find his way to get at his rights.

Mr. HUMPHREY. Mr. Barber, has not the same argument that you have been making, been made in favor of every monopoly in this country?

Mr. BARBER. I really do not know. I have not read all the arguments of other monopolies. I only know my own business and I speak about my own business.

The CHAIRMAN. Is there anything further?

Mr. BARBER. I do not think I will detain the committee any longer this morning, sir. I would like to put in, as far as Argentina is concerned, the record of the tonnage loaded from New York to Argentina during the years 1910 and 1911; 1912 is not quite ready yet, but it will be ready in a few days, and I can let you have copies then.

The CHAIRMAN. Will you just please give the totals to the stenographer?

Mr. BARBER. It shows that in 1910, 133 steamers were dispatched from New York against 111 in 1909; 151 steamers went in 1911, and 157 in 1912. The tonnage was also increased.

Mr. HUMPHREY. The total tonnage?

Mr. BARBER. The total tonnage.

The CHAIRMAN. The total number of steamers in 1911 was 151, compared with steamers in 1910, 133; the total registered tonnage for 1911, 668,370 tons; total registered tonnage for 1910, 582,282 tons; total estimated tons of cargo for 1911, 938,192 tons; the total estimated tons of cargo for 1910, 748,535 tons; total number of sailings, New York to Argentina, 1912, 157.

Mr. BARBER. That list was made out the same as the previous list. In the course of a few days I will send down to the stenographer a copy of it.

The CHAIRMAN. I notice the total registered tonnage for 1911 is given as 668,370 tons, while the total estimated tons of cargo for 1911 is given as 938,192. Now, explain the difference there.

Mr. BARBER. The registered tonnage is the tonnage of the steamer, which is space divided by 100; the arbitrary tonnage is supposed to be one of a hundred cubic feet. Into 800 cubic feet we sometimes put 2 tons of cargo.

The CHAIRMAN. The actual—

Mr. BARBER. So the steamer with the 3,000 tons registered will frequently charge 8,000 tons of cargo, but some of the tons may be weight tons—condensed weight and some light tons of 40 cubic feet, but you will also notice that the list includes some steamers that do not take their entire cargo to the Argentina. Some will take their cargo to the west coast, for the bulk of their cargo, and simply call at Argentina with part of their cargo; other steamers call at Brazil on the way down and deliver part of their cargo there, so that the tonnage only represents what actually goes to Argentina.

The CHAIRMAN. In other words, the actual cargo capacity of vessels oftentimes exceeds the registered tons. It depends on the character of the cargo?

Mr. BARBER. No; it does not. The cargo capacity of all freight steamers is generally about two and one-half times their net registered tonnage.

The CHAIRMAN. I believe in your testimony yesterday you said you had some contracts with shippers?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Have you copies of those contracts here?

Mr. BARBER. No; I will send them down, if you wish it. In fact, I laid some out on my desk and intended to bring them when I came down, but for some reason I overlooked them.

The CHAIRMAN. We will be glad if you will do so.

Mr. BARBER. I suppose I will be down next week or the week after. I will proceed to let you have them before you get through with the proceedings.

The CHAIRMAN. Tell the committee whether or not you give to the large shippers and the small shippers the same rate; in other words, is there a discrimination between large shippers and small shippers in the rate given them?

Mr. BARBER. As far as the River Plata and the Far East, China and Japan, we do. We try to make the same rates to each, although sometimes we will give a man a contract rate, if he will give us his business for the entire year, and a better figure than a man who simply ships a carload here and ships a carload somewhere else next time.

The CHAIRMAN. Do you give a man who makes you that kind of a contract the same rate?

Mr. BARBER. We do.

The CHAIRMAN. Without reference to the tonnage he may ship?

Mr. BARBER. Yes; but if we find a man—a little pettifogging man—we would not want to make a contract with him. We would not want to bind our files up with a small shipper of that kind. Any man who is a good-sized man we will make a contract with him.

The CHAIRMAN. But you will not do it for the small shipper?

Mr. BARBER. No.

The CHAIRMAN. And the small shipper will not have the same rate as the large shipper in that event. In the first place, you do not care to contract with him?

Mr. BARBER. No.

The CHAIRMAN. And in the second place, you do not give him the rate.

Mr. BARBER. Some of our contracts we will give to anyone who will only ship 10 tons for a year at the same rate as a man who ships 10,000 tons.

The CHAIRMAN. But you do not desire to contract with the small shipper?

Mr. BARBER. I do not; we do not.

The CHAIRMAN. No.

Mr. BARBER. But the River Plata conference is not in black and white—simply a verbal understanding between ourselves—and what might be done in one office may not be done in the other.

The CHAIRMAN. I understood you to say yesterday the agreement is just as effective as if it were it writing and under seal.

Mr. BARBER. Yes.

Mr. HARDY. Do any of your lines ever give a contract for less than 10,000 tons?

Mr. BARBER. Oh, yes; we even give a contract for 50 tons a year sometimes.

Mr. HARDY. And give the same rates as to the large man?

Mr. BARBER. The same rates as to the large man; yes.

Mr. HARDY. You say your company does not do that?

Mr. BARBER. Not always. We discriminate some. Some people come in and try to get a contract out of us for the sake of going out and exploiting it. There are people who are partly freight contractors or freight brokers or speculators who will come in and try to make a contract with us and then go out to get business for themselves and they get a brokerage off it.

The CHAIRMAN. Is there anything further? If not, you will be excused, Mr. Barber, subject to call, you understand, hereafter if we decide to call for you.

TESTIMONY OF JOSEPH T. LILLY, OF NORTON & SON, PRODUCE EXCHANGE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give your name to the committee, your address, and your business.

Mr. LILLY. Joseph T. Lilly, a member of the firm of Norton & Son, Produce Exchange, New York.

The CHAIRMAN. What is your business?

Mr. LILLY. Steamship agents and brokers.

The CHAIRMAN. Are you owners of ships as well?

Mr. LILLY. No; we do not own any steamers.

The CHAIRMAN. Do you employ them in your business?

Mr. LILLY. We are agents for the American-Australian Line, operating from New York to Australia and New Zealand; the American-African Line, operating from New York to South Africa and East Africa; the American Indian Line, operating to Bombay and Calcutta and other Indian ports; the American and Manchurian Line, operating to the Far East, China, Japan, and the Philippines; and the Norton Line, to Argentina and Uruguay.

The CHAIRMAN. Tell the committee if your firm or line or any of the lines, companies, or firms for which you are agents, at this

time or at any time in the last two or three years, have been parties to any agreement or agreements or any understanding or understandings with any other steamship line or lines as regards either the freight or passenger traffic to and from the United States to Argentina or, say, in the River Plata trade.

Mr. LILLY. Well, the American-African Line; we work with the other lines.

The CHAIRMAN. Name the lines. I am talking about the River Plata trade.

Mr. LILLY. The River Plata—no; we do not work with the others; we are independent.

The CHAIRMAN. Yours is the Norton Line in that trade?

Mr. LILLY. Yes.

The CHAIRMAN. The testimony of other agents who have been before the committee generally was to this effect, that while you are not in the conference or combination, yet there is an understanding between you and them. Mr. Barber characterizes it as a "shadowy" one. Tell the committee as clearly as you can just what the understanding or agreement is between you and the conference lines in the River Plata trade.

Mr. LILLY. We have not any understanding or agreement with the other lines in the River Plata trade.

The CHAIRMAN. Directly or indirectly?

Mr. LILLY. Directly or indirectly. They make it a point to keep us posted as to what rates they are obtaining, which enables us to know the rates without depending entirely on securing that information in the open market and from the shippers. We are under no obligation to maintain those rates. We do it so far as it suits us. We follow the market. We have frequently found when we named those rates we did not get the cargo, which means they did not maintain their own rate. As I understand their arrangement, it is nothing more than an effort to maintain rates and try and give an efficient service.

The CHAIRMAN. Do you have many boats going to the River Plata?

Mr. LILLY. We loaded 15 steamers to the River Plata last year.

The CHAIRMAN. Out of 157?

Mr. LILLY. Out of 157, which was the total loaded by all the lines.

The CHAIRMAN. Are you in open competition with these other lines?

Mr. LILLY. Yes; we are.

The CHAIRMAN. Do you cut their rates?

Mr. LILLY. When it suits us.

The CHAIRMAN. Do you do it?

Mr. LILLY. Yes; we have done it.

The CHAIRMAN. Have you done it during the year 1912?

Mr. LILLY. Yes; and done it during the year 1913.

Mr. HUMPHREY. Have you done it without consulting them?

Mr. LILLY. Yes; we are under no obligation to consult them.

The CHAIRMAN. If you have two steamers—one theirs and the other yours—in the port at the same time, do you mean you cut the rate on the same class of cargo from the River Plata to New York, and vice versa?

Mr. LILLY. Yes; it might be steamers at the same time, or we might cut the rate on future shipments, three or four months from

now. With the service we have we can not go out and make many large contracts with shippers. Our service is not sufficient for that. We depend more upon the smaller shippers of specific articles which come in the market. We have contracts to carry car material.

The CHAIRMAN. Which?

Mr. LILLY. Car material. We have some contracts which will keep the service which we are going to operate between now and September next going, with what cargo we pick up on the regular market—regular berth market.

The CHAIRMAN. Car material—

Mr. LILLY. Car material, knocked-down cars.

The CHAIRMAN (continuing). From this country to the Argentine?

Mr. LILLY. Yes.

The CHAIRMAN. And you charter ships?

Mr. LILLY. The line is all operated on chartered ships.

The CHAIRMAN. Just as you secure cargo for them?

Mr. LILLY. They have been chartered ahead for some time.

Mr. AYRES. Time charters?

Mr. LILLY. Time charters.

Mr. HARDY. You stated that sometimes when you named freight rates, concerning which rates these companies kept you posted, you did not get the freight?

Mr. LILLY. Frequently.

Mr. HARDY. And that means to you that they do not maintain their rates?

Mr. LILLY. I have taken that to be the case sometimes. It might easily mean that the shipper was merely sounding us out, and preferred to give it to them.

Mr. HARDY. What reason do you think they have for posting you in their rates?

Mr. LILLY. Why, I do not suppose they want us to break their market.

Mr. HARDY. Have you got some arrangement by which they do post you?

Mr. LILLY. Absolutely no arrangement. We told Mr. Barber, "We are going it alone absolutely, and we intend to follow the market."

Mr. HARDY. And they began to furnish you the rates that they were charging?

Mr. LILLY. We do not get any rates from Mr. Barber. He apparently ignores us—probably feels our service does not amount to much.

Mr. HARDY. But you get the rates from the conference lines?

Mr. LILLY. We get them from R. P. Houston, and we would not hesitate, if we wanted any other information, to call them up and ask them what they were doing.

Mr. HUMPHREY. Tell us, then, is there a friendly feeling between you?

Mr. LILLY. Yes.

Mr. HARDY. If they call you and state to you that their rates are so and so, you immediately start to put in force those rates on your ships? But if you found you could not get the freight, would you not think they had misled you purposely?

Mr. LILLY. No; we would think the shipper preferred to give it to them. That may easily happen in any business. We quoted against them on a shipment of car material to South America. We believe we quoted the same rate as they did. The shipper they had quoted first came back to them and got them to shade their rate, and they got the business; we did not.

Mr. HARDY. Do you think that would be perfectly fair, man to man, for them to tell you they were charging a certain rate and then, when the freight came along, to cut under it?

Mr. LILLY. There is no obligation—no reason they should tell us of the cut. A man makes a firm offer. If they do not accept it, he comes to us and makes a firm offer. I do not feel under any obligation to tell them what we are doing. Rates are constantly fluctuating, and a rate in the morning may not be the same in the afternoon.

Mr. HARDY. But if you do tell them, do you not feel under some obligation to stick to it?

Mr. LILLY. No; we have not felt so. We quote that rate; we never tell them if we change the rate.

The CHAIRMAN. If I recollect the testimony of Mr. Halm, of the Houston Line, it was to the effect that the relations between your company and theirs were very friendly and that you observed the rates made by these conference lines?

Mr. LILLY. Did they say "obligated" to maintain the rates?

The CHAIRMAN. They said you did, in fact—

Mr. LILLY. We do in the majority of cases; the regular berth cargo. The shippers come in and ship by our boats at the same rate as theirs. We have shipped some of our contract car material via their steamers, because we did not have any steamer on the berth and they were short of cargo. It is common custom in the trade to exchange cargo where one is short of heavy cargo and the other short of light cargo.

The CHAIRMAN. Is there any understanding like this between you, that when there is a greater tonnage than you can take care of in the regular course of business that you may come in and charter steamers and carry the surplus cargo?

Mr. LILLY. Absolutely no understanding. We are going to load those four steamers in 1913. If we can make 15 trips, all right; if we run short and we can charter a steamer and make some profit out of it, we are going to do it; and if to charter a steamer means a loss, I do not think we will bother with it, unless we have such a contract which obligates us to provide a steamer to take care of the cargo.

Mr. HARDY. But you are going to be very careful not to get into any rate-cutting controversy with them?

Mr. LILLY. Charter cost of steamers is very high. Freight rates are comparatively low. I would naturally try to get the market rate if possible.

Mr. HARDY. You would rather wait for them to take the lead in cutting the rates?

Mr. LILLY. We are not going to cut any rates; we have all we can do to come out whole.

Mr. HUMPHREY. In other words, you are not going to fight each other?

Mr. LILLY. We are not going to fight. It might be different if there was a large profit in the business.

Mr. WILSON. Do you cultivate their acquaintance for the purpose of maintaining rates?

Mr. LILLY. For the purpose of avoiding losing money, if we can.

The CHAIRMAN. You say you do not own any ships; you simply use chartered ships.

Mr. LILLY. The steamers are all chartered.

The CHAIRMAN. Then you occupy the same relation to the combine that the fighting ship does; in other words, you are employed to keep the other independent man out—the man that may possibly cut rates?

Mr. LILLY. There is absolutely no foundation for such an impression.

The CHAIRMAN. How?

Mr. LILLY. We are not in that business.

The CHAIRMAN. Do you say that you are not?

Mr. LILLY. Decidedly not.

The CHAIRMAN. Calling your attention to the trade on the west coast of South America, what other lines than yours are engaged in that trade?

Mr. LILLY. We have not any line to the west coast of South America, and the only line of ours which touches South America is the Norton Line, running to Montevideo, Buenos Aires, and Rosario, and other points in Uruguay and the Argentine Republic, as occasion requires.

The CHAIRMAN. You have no line, then, to South American points or the west coast?

Mr. LILLY. No, sir.

The CHAIRMAN. Do you say you are engaged in other trades?

Mr. LILLY. We are engaged in the American-African, American-Australia—

The CHAIRMAN. Take the American-African trade. To what points do you trade from the United States ports?

Mr. LILLY. From New York to south and east Africa. Shall I name the ports?

The CHAIRMAN. Yes.

Mr. LILLY. Cape Town, Algoa Bay, East London, Port Natal, Delagoa Bay, Biera. Those are the regular ports of call; and the steamers frequently go to Mombasso, Zanzibar, Mauritius, and other ports up the east coast.

The CHAIRMAN. I believe you say you are agent of the American-African Line?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Is that a trade name or is that a steamship company?

Mr. LILLY. A trade name.

The CHAIRMAN. A trade name?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You charter ships for that trade just like you do for the South American trade?

Mr. LILLY. No; the steamers are supplied by the Union Castle Mail Steamship Co. (Ltd.) and the Bucknell Steamship Lines (Ltd.).

The CHAIRMAN. Those are conference lines?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Is not there a joint ownership, although they sail under different names?

Mr. LILLY. Why, I should say that those two firms own the steamers; they operate under the line; they supply the steamers. We will have the Union Castle mail steamer one turn and the next steamer will be a Bucknell steamer.

The CHAIRMAN. That is very true, but while one is a Union Castle and the other is a Bucknell, do not both lines belong to the same people?

Mr. LILLY. No.

The CHAIRMAN. Do you know that to be a fact?

Mr. LILLY. Positively.

The CHAIRMAN. But they trade under a contract, do they not, and pooling arrangement?

Mr. LILLY. Yes; I understand they have a pooling arrangement with the other lines, but how they operate under the arrangement I do not know. We send our accounts for the steamer loaded for the Union Castle Mail Steamship Co. (Ltd.) to the Union Castle Mail Steamship Co. (Ltd.), and the accounts for the steamers loaded and furnished by Bucknell Steamship Lines (Ltd.) we send to them.

The CHAIRMAN. Do they have a common office in London or do they not?

Mr. LILLY. They have separate offices in London.

The CHAIRMAN. Separate offices in London. What other lines are in conference with them in the trade with New York?

Mr. LILLY. The Union Clan Line, of which Barber & Co. are agents; the Hansa Line, of which Funch Edye & Co. are agents, and the Prince Line.

The CHAIRMAN. Mr. Gerhard is the agent, and he is representing the Prince Line.

Mr. LILLY. Yes, sir; the Prince Line, of which Gerhard & Co. are agents; and the Houston Line, of which R. P. Houston & Co., New York office, are agents.

The CHAIRMAN. Mr. Houston is the agent for the Houston Line?

Mr. LILLY. Yes, sir. R. P. Houston & Co. have their own office, and Mr. Halm is manager, and is not an agent, as we are.

The CHAIRMAN. All these lines that you have mentioned are in this South African conference, are they not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. And they are all in a pool?

Mr. LILLY. I do not know, but it is so understood.

The CHAIRMAN. And they also have the deferred rebate system?

Mr. LILLY. No, sir.

The CHAIRMAN. They do not?

Mr. LILLY. No, sir.

The CHAIRMAN. Where are the rates made in this trade?

Mr. LILLY. The rates for Africa are furnished to the agents by the principals from London, but the agents frequently suggest rates which are followed.

The CHAIRMAN. But they are uniform rates as between the different lines in the conference?

Mr. LILLY. The rates are all the same. What freight we can not carry on our steamer we turn over to the next steamer, which takes it at the same rate of freight.

The CHAIRMAN. The rates may be up or down, depending on the trade?

Mr. LILLY. Yes.

The CHAIRMAN. But there is no difference in rates as between the different steamers or lines engaged in the trade?

Mr. LILLY. No difference.

The CHAIRMAN. Can you furnish us a copy of that agreement between you and these conference lines in the South African trade?

Mr. LILLY. We have not any copy, and I have never seen a copy of it.

The CHAIRMAN. Other agents and American representatives of these conference lines have made this same statement. Mr. Gerhard, I think, did so. He said he has been in the steamship business for over 40 years, and Mr. Gottheil says he represents lines running to every quarter of the globe; and do you wish the committee to understand that European principals have so little confidence in their American representatives that they do not permit them to see the contracts or agreements under which the lines operate?

Mr. LILLY. I do not think it is a question of confidence. It is not necessary for them to know anything about the agreement, so far as I know. Take the history of the line we operate, sailing vessels to South Africa. Norton & Son thought it was time to change. They felt steamers were necessary for the trade. That was in 1892 or 1893. Mr. Norton went into the market to charter. But he received a cable from London not to charter, but to wait until a representative from Donald-Currie should come, a Mr. Chapman, and a representative from Bucknell Bros., which was the name of the firm at that time, Mr. Lloyd, should reach New York. They came to New York and said that they agreed with Mr. Norton that it was time steamers were operated from New York to South America, and asked him if he would act as their agent. Mr. Norton suggested the name American-African Steamship Line. We acted as their agent and were paid a commission for securing the cargo and loading it. They are the owners of the steamers that we operate.

The CHAIRMAN. Do you think that they would respect your request if you were to write them to send this committee a copy of those agreements?

Mr. LILLY. Why, I believe—I do not know of any reason why we should not get a copy of it. I shall write and ask.

The CHAIRMAN. Because I assume from Mr. Barber's attitude it is their opinion that they are not engaged in violation of law. We are quite sure the most profitable part of their commerce is with American ports, and Congress has the right, we think, to be informed of the conditions under which this commerce is being carried on, and we are reluctant to assume that these contracts are bad and are in violation of law, but if they continue to occupy the attitude they do now and withhold these contracts from us, we will be entitled to assume and take it for granted that there are such contracts which they are not willing to let see the light of day in the United States. So I would be glad if you would call on them for copies of these contracts, that the committee may have them and examine them and have accurate information as to what the relations between these companies and the shippers are. I think that will be fair to them, and I am quite sure it will be fair to us.

I believe you say that in the Argentine trade the Norton Line is simply a trade name?

Mr. LILLY. The Norton Line is Norton & Son's name. We have a flag and paint a peculiar sign on the funnel of the steamers; that is about all there is to the Norton Line.

The CHAIRMAN. Is it an incorporated company?

Mr. LILLY. No; a partnership. The "Norton Line" is a trade name.

The CHAIRMAN. I believe you said it does not own any steamers?

Mr. LILLY. No, sir; they do not.

The CHAIRMAN. Just charter steamers?

Mr. LILLY. The steamers are all chartered, and we fly the flag with the Norton Line emblem on.

Mr. HARDY. Chartered to the Norton Line?

Mr. LILLY. Yes.

The CHAIRMAN. Did you ever try to get in this conference to the River Plate trade?

Mr. LILLY. We have deliberately kept out of it.

Mr. HARDY. Were you invited to go in?

Mr. LILLY. Yes, sir.

Mr. HARDY. Why did you not go in?

Mr. LILLY. We are not in it, we had many reasons for not joining it.

Mr. HARDY. Is it a friendly understanding between you that you can serve them better by keeping out?

Mr. LILLY. No, sir; absolutely no understanding.

Mr. AYRES. Mr. Lilly, when Mr. Daniels, of the Lamport & Holt Line, was here, he said you had been a member of the conference some time ago, but that your line simply discontinued coming around to the conferences and ceased to be a member, and since that time he had had the pleasure of taking away from you one of your largest contracts, and evidently maintained not an amiable and cheerful disposition toward your line. Won't you tell us the circumstances of why you left the conference?

Mr. LILLY. There was never any conference really, and I do not believe they have a conference now—what I would call a conference. In 1909 we were very anxious for all of the lines to get together and have some arrangement for a conference, but one would come in and another would drop out, and fussed around, and we got tired wasting time with them. We can get along, so long as rates are on a living basis. We have no difficulty in getting freight and filling our steamers, but if they had a real conference it would be the best thing for the River Plate trade.

The CHAIRMAN. The committee is just a little curious to know why you do not go in and accept the invitation to go into this conference?

Mr. LILLY. I do not know that we have any particular reason, except as a matter of policy we have decided to stay out and "paddle our own canoe."

The CHAIRMAN. Is that all the reason you have?

Mr. LILLY. That is all the reason. We can do just as well out as we can in.

The CHAIRMAN. Under the friendly relations that exist between you and the conference lines?

Mr. LILLY. Yes; we work with them in other trades.

The CHAIRMAN. What other trades?

Mr. LILLY. The African trade.

The CHAIRMAN. Yes. Give them all?

Mr. LILLY. China and Japan trade.

The CHAIRMAN. As to the African trade you are in the pool; you agree to that?

Mr. LILLY. Yes, sir; we have nothing to say about it; we are under instructions.

Mr. HUMPHREY. Is it not a fact that your staying out of the conference—that is, nominally at least—and appearing to run independently has a greater effect toward keeping other lines from attempting to enter that trade than if you were in the combine itself? In other words, it was said awhile ago, and is it not true as a matter of fact, that your line is acting as “fighting ships,” that being the general purpose for which they are usually used—that is, you are pretending to be independent and keep on the outside and pick up any trade that they may not be able to carry for the express purpose or the purpose among other things of discouraging any really independent line from entering the trade?

Mr. LILLY. No, sir; I do not think that has any effect at all, and that is not our purpose. We have an established trade of our own. There is plenty of room for others if they desire to engage in the business.

Mr. HUMPHREY. Was not that matter—

Mr. LILLY. We have been in the River Plate trade since 1845.

Mr. HUMPHREY. Was not that matter discussed at the time this conference occurred, when you decided not to go into the conference?

Mr. LILLY. No, sir. Really, if there is any feeling about that and you gentlemen advise it, we might just as well go in. There is no agreement to stay out or stay in.

The CHAIRMAN. We are not advising you to accept the invitation; we would rather suggest to them to get out.

Mr. LILLY. They can give better service if we were all in that conference.

Mr. HUMPHREY. I will tell you what is in my mind—I do not know what is in the minds of the rest of the committee, of course, but what is in my mind is that I feel that there was a purpose to serve by you staying out of the conference, not only for yourselves, but the other members of the conference, too.

Mr. LILLY. There is no foundation for such impression. That was quite away from our purpose in staying out. If you have that impression, we can not help it.

Mr. CHAIRMAN. You say you can give a much better service by being in that conference. That being the case and you have no objection to the conference, why is it you are not all in the conference?

Mr. LILLY. You can not get any better service than we are giving unless we all pooled our issues.

Mr. WILSON. Did I understand you to say that you have nothing to say about going into the conference in the South African trade; that you are there under instructions?

Mr. LILLY. We are agents for the lines in the conference. We operate the steamers as they instruct us.

Mr. WILSON. You get your instructions from the owners of the vessels?

Mr. LILLY. Yes, sir.

Mr. WILSON. Even when you charter those vessels?

Mr. LILLY. We do not charter any vessels to South Africa.

Mr. WILSON. Do not charter them to South Africa?

Mr. LILLY. No, sir; we are simply steamship agents.

Mr. HARDY. For the Bucknell Line and the Union Castle Line?

Mr. LILLY. Yes, sir.

Mr. HARDY. Are each one of those separate steamers under separate charters themselves—corporations—each steamship is a corporation by itself?

Mr. LILLY. I do not think so; I am not positive of that; but I do not believe that is the case.

The CHAIRMAN. You say that Norton & Son are a partnership?

Mr. LILLY. Yes, sir; a copartnership.

The CHAIRMAN. Give the names of the members of the firm.

Mr. LILLY. Edward N. Norton, Sheffington S. Norton, John B. O'Rielly, and myself.

The CHAIRMAN. Where do the members of the firm live?

Mr. LILLY. In New York State—do you want their city addresses?

The CHAIRMAN. They are all American citizens, are they?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Have you any affiliations by ownership with the Union Castle Line or Bucknell?

Mr. LILLY. We are their agents in the African trade.

The CHAIRMAN. Have you any other interest in their ships?

Mr. LILLY. No, sir.

The CHAIRMAN. No other interest in their business than simply under the pooling arrangement referred to?

Mr. LILLY. We are their New York agents; we do not know how they pool, or what the terms of the pool are, or anything about it.

The CHAIRMAN. But you have no financial interest in their lines?

Mr. LILLY. No, sir.

The CHAIRMAN. There is no joint ownership?

Mr. LILLY. No, sir.

The CHAIRMAN. What other lines or trades are there in which you are engaged?

Mr. LILLY. The American Indian Line.

The CHAIRMAN. Just take the American Indian Line. What lines are you agents for in the American-Indian trade?

Mr. LILLY. Bucknell Steamship Line (Ltd.).

The CHAIRMAN. The Union Castle Lines do not go to or are engaged in that trade?

Mr. LILLY. No, sir.

The CHAIRMAN. You are their agents in the trade from New York to Indian ports?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What other lines operate also from New York?

Mr. LILLY. The American Indian Line is composed of two lines—the Hansa Line—operated by two lines—the Hansa Line, of which Funch Edye & Co. are agents, and Bucknell Steamship Lines, for which we are agents.

The CHAIRMAN. Are they operated under the trade name of American Indian?

Mr. LILLY. Steamship lines?

The CHAIRMAN. Steamship lines.

Mr. LILLY. Yes, sir.

The CHAIRMAN. They operate under practically the same terms as to pooling and the maintenance of rates as the lines engaged in the South African trade, do they not?

Mr. LILLY. The rates are made here in the Indian trade, and whether or not they have any pooling arrangement I do not know, but they have some sort of a working arrangement; and reading over Mr. Gottheil's testimony, I think he said the Hansa Line had fixed it up with Bucknell Bros. and were waiting for some agreement to be signed.

The CHAIRMAN. That is what he stated?

Mr. LILLY. That is my impression.

The CHAIRMAN. Will you also make an attempt to get that agreement for the benefit of the committee?

Mr. LILLY. I will; yes, sir.

The CHAIRMAN. I believe you say you are also agent for the American-Australian Line?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What steamers are known as the American-Australian Line?

Mr. LILLY. The Bucknell Steamship Lines (Ltd.) and the Federal National Steamship Lines (Ltd.).

The CHAIRMAN. Is the Hansa Line in that?

Mr. LILLY. Not in the American-Australian trade. The United Tyser Line is in the Australian trade, and I think Tyser & Co., or the Tyser Line, and the Hansa Line and the German-Australian Line, but Mr. Gottheil testified on that. I am not sure of the names.

The CHAIRMAN. Have you read his testimony?

Mr. LILLY. Not all of it; no sir. I glanced over some of it last night.

The CHAIRMAN. Did you read his testimony with reference to the American-Australian trade?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You understand the conditions to exist substantially as he gives them in his testimony, do you not?

Mr. LILLY. Exactly, except that as far as the American-Australian Line is concerned we make the rates here.

The CHAIRMAN. Did he not so state?

Mr. LILLY. I think he said they were made in London. He may have cabled to London, as far as his line is concerned, but we make our own rates to Australia; in fact, in every trade we are in, except the African trade, rates are made in New York.

The CHAIRMAN. Just tell us how that is done?

Mr. LILLY. We got hold of some tariffs they were using on the other side and we fixed our rates up to operate on the other side. That gives us a great many ships at the same rates from here as the U. K. or the Continental. When the rates from Australia to England are higher than from the Continent we put rates in New York to equal the Continent rates, and when the rates from the Continent are higher than from England we put in the English rates, so the shipper always has the lowest rate going from the U. K. or the Con-

tinents, it frequently happening that rates from Germany or England would be higher than the rates from New York.

The CHAIRMAN. Do you meet in conference in New York and post those rates?

Mr. LILLY. We operate that trade without, practically, any conference. We had a meeting last January and last November.

The CHAIRMAN. Who had the meeting?

Mr. LILLY. Representatives from Funch, Edye & Co. and representatives of the United States & Australian Steamship Co. If we want anything done, I call them on the telephone; if they want anything done, I say, "All right, go ahead and let me know what is done."

Mr. HARDY. You run, by adopting the lowest rates as between the English and the Continental?

Mr. LILLY. Yes, sir; that is what the shippers want, and that is what we contend with our principals, shippers should have.

The CHAIRMAN. But the rates are absolutely uniform?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Your lines are the only ones engaged in that trade from New York, are they?

Mr. LILLY. Yes, sir. We are known as the direct lines. Of course if we should get our rate too high, and even at the same rates, sometimes the European lines take cargo from us and transship it; also the Hamburg and Bremen Lines.

The CHAIRMAN. Of course one of the lines in this conference can not change the rates without the consent of the other lines in the conference?

Mr. LILLY. No; they could not do that. It is an agreement on rates, but at the same time that has worked very well. If a man wants a rate changed, and he has a good reason for it, we would proceed as follows: If the U. S. & A. or Funch, Edye & Co. came to me and said that some shipper wanted a rate or can not do business this year unless he gets last year's rate; if he wanted the old rate, often we would simply change the rate. We make rates to enable our shippers to do business.

The CHAIRMAN. Do you mean you would all change the rate for him?

Mr. LILLY. Yes; I would tell him, "All right, go ahead, but let me know what you do." So that when our ship comes along we carry cargo at same rate.

The CHAIRMAN. But, there is harmony between you. Is the agreement between you in writing?

Mr. LILLY. No, sir. I cabled before I came down here, and got a reply as follows:

Tyser's Line. Received. Have informed Mr. Paul Gotthell there are no written agreements, which we can confirm.

The CHAIRMAN. What is the date of that?

Mr. LILLY. That was Thursday, the 16th.

Mr. HARDY. But do you not ever change your rates so they will be below the lowest rates from England or the Continent?

Mr. LILLY. Yes; that frequently happens. I do not recall anything specific at the moment. I think if there were any discrepancies between the American rates and the rates on the other side they

are in favor of the American rates. If our rates are higher than from Europe, our shippers learn of it through their foreign connections.

Mr. HARDY. Do you know whether they practice the same methods in Europe?

Mr. LILLY. I do not believe they do. All of our large shippers know the foreign business, and if they have any complaint we write over to our people that, while they understand the tariff is so-and-so, the shipper tells us it is not the case.

The CHAIRMAN. I understand that while there is no agreement in writing between you, yet there is an agreement, a verbal agreement or understanding between you, is there not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What subjects does that agreement embrace? Does it embrace a division of traffic, or also a division of routes?

Mr. LILLY. It would naturally embrace a tonnage arrangement—the loading of steamers. The trade is split up in this way: One steamer goes to what we call the five Australian ports, Fremantle, Adelaide, Melbourne, Sydney, and Brisbane; another goes to Melbourne, Sydney, and New Zealand. We load about 40 steamers a year, so you see there are pretty nearly 2 steamers loading all the time.

The CHAIRMAN. Does that agreement embrace a direct division of traffic and a division of routes?

Mr. LILLY. Yes.

The CHAIRMAN. Is this a verbal understanding?

Mr. LILLY. But it is always customary to do that—report to the conference that way.

The CHAIRMAN. It also provides for meeting the competition of other lines. If anybody should be hardy enough to enter into competition, you would cooperate in meeting new competition, would you not?

Mr. LILLY. I do not know what the agreement is.

The CHAIRMAN. But that is your understanding of it, is it not?

Mr. LILLY. No, sir.

The CHAIRMAN. And you work the business in regulating the time of sailings between the different ports, do you not?

Mr. LILLY. We come to our principals when we want the steamers and they give them to us as the trade requires.

The CHAIRMAN. First one company furnishes a steamer and then another?

Mr. LILLY. Yes; or may furnish two together, as they have steamers to fit in, or steamers have to be chartered.

The CHAIRMAN. The effect of it is the regulation of the time and number of sailings between the different points or ports, is it not?

Mr. LILLY. Yes.

The CHAIRMAN. Does the agreement also include an arrangement by which the steamers of each company, a certain number of steamers of each company, shall be employed in the service during the course of the year—in other words, one company would not get the monopoly of the trade—you first call for a steamer of one company and then of another company, so that each one shall share in the trade equally. do you not?

The CHAIRMAN. How many of those are separate, distinct companies, owning and operating ships?

Mr. LILLY. I do not know how they operate.

The CHAIRMAN. Tell the committee, if you know, if there is a common ownership in the ships operating in this trade between these different lines?

Mr. LILLY. Bucknells own the steamers, or charter the steamers which they operate in the American-Manchurian Line, and I could not name positively all of the owners who supply these steamers to the other lines, but that, I think, has all been furnished in the record.

The CHAIRMAN. Are they mostly chartered steamers?

Mr. LILLY. I should say that they are mostly owned steamers.

The CHAIRMAN. Do Bucknells charter most of their steamers in that trade, or do they own the steamers?

Mr. LILLY. Bucknells used their own steamers in that trade; they very rarely charter.

The CHAIRMAN. Have you read the exhibits set out in connection with the Government's petition in the case of the United States, petitioner, *v.* The American & Asiatic Steamship Co. et al, defendants, Exhibits 1 to 4, inclusive, beginning on page 27?

Mr. LILLY. I have read them.

The CHAIRMAN. Those agreement are now in force between the several lines parties thereto, are they not?

Mr. LILLY. I do not know. Our principles are not parties to those agreements. The first time I read the agreements I read them in that petition.

The CHAIRMAN. You cooperate with the lines who are parties to these agreements, do you not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You speak of the United States Steel Corporation doing an export business. What line do they employ in their export business?

Mr. LILLY. To where?

The CHAIRMAN. To the Orient.

Mr. LILLY. The only steamers of the United States Steel Corporation that have anything to do with the Orient, as far as I know, are the steamers they charter and load full cargoes of steel. I understand they chartered 12 steamers last year, 12 or 15, and 12 or 15 the previous year, and they have those steamers to take care of the steel, which the regular lines operating there are unable to take care of.

The CHAIRMAN. But the name of this exporting company is given as the Steel Products Co., is it not?

Mr. LILLY. The United States Steel Products Co. is the company which does all of the United States Steel Corporation's foreign business.

The CHAIRMAN. Is that company, or the United States Steel Corporation, connected or affiliated by ownership or otherwise with the American-Manchurian Line?

Mr. LILLY. No, sir; the American-Manchurian Line was started with the contract which they secured from the United States Steel Products Co., and the American Locomotive Co., and the American Car Foundry Co., for a lot of steel rails and structural material and

cars and locomotives for shipment to Dalny. Taking that contract we started operating steamers to Dalny and other China-Japan ports.

The CHAIRMAN. Have you contracts with those corporations today?

Mr. LILLY. No, sir.

The CHAIRMAN. Have any of the lines for which you are agent contract agreements with any American railroad?

Mr. LILLY. No, sir.

Mr. HARDY. You say you have no agreements with any American railroads at all?

Mr. LILLY. No, sir.

Mr. HARDY. No prorating agreements for through freight?

Mr. LILLY. No, sir.

Mr. HARDY. All your freights are from port to port?

Mr. LILLY. We accept a railroad's through bill of lading.

Mr. HARDY. You charge the railroad that is shipping on a through bill of lading the same rate as you would a shipper initiating a shipment from the port?

Mr. LILLY. Exactly.

Mr. HARDY. You do not have any prorating agreement of any kind?

Mr. LILLY. No, sir.

Mr. HARDY. You do not ship from port to port in this country?

Mr. LILLY. All foreign trade.

Mr. HARDY. I do wish to ask one other question. What property does the Norton Line own? I do not mean the chartered property.

Mr. LILLY. You mean what substantial property?

Mr. HARDY. Yes.

Mr. LILLY. We do not own any. We own the name of the Norton Line.

Mr. HARDY. You have offices and fixtures in those offices?

Mr. LILLY. Yes.

Mr. HARDY. So that substantially you are simply operators?

Mr. LILLY. Yes, sir.

Mr. KIRLIN. Mr. Chairman, I should like to make one request in regard to Mr. Lilly's testimony. The American-Manchurian Line is a defendant in the case to which you have referred, and one of the questions which you asked Mr. Lilly was whether he was operating under these agreements. I wish you would be good enough to ask him, as his testimony will probably be referred to in that case, whether the American-Manchurian Line pools in the eastern trade, as that is a matter involved in that case.

The CHAIRMAN. You may answer that question, whether or not the American-Manchurian Line pools in the outward trade from this country.

Mr. LILLY. No, sir; we do not.

The CHAIRMAN. With any other line?

Mr. LILLY. No, sir.

Mr. HARDY. Do you know whether it pools in the westbound trade?

The CHAIRMAN. Here is the agreement itself [indicating].

Mr. LILLY. I did not know that agreement provided for it, but Mr. Barber said it did.

Mr. HARDY. You said you are not partners to the agreement?

Mr. LILLY. I do not think there is any agreement in there to which we are parties.

Mr. HARDY. That is, the Norton Line is not a party, but is the American-Manchurian Line a party to that agreement?

The CHAIRMAN. Not in terms, but he says they cooperate under it. The committee will now take a recess until 2 o'clock.

Thereupon, at 12.30 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reassembled pursuant to recess.

TESTIMONY OF MR. M. BOUVIER.

The witness was duly sworn by the chairman.

The CHAIRMAN. Will you please give us your name, address, and business?

Mr. BOUVIER. Vice president W. R. Grace & Co., Hanover Square, New York.

The CHAIRMAN. In what business are you engaged?

Mr. BOUVIER. Export and import business.

The CHAIRMAN. Are you merchants or agents?

Mr. BOUVIER. We are merchants.

The CHAIRMAN. Do you also operate ships?

Mr. BOUVIER. Yes; we are agents for the New York & Pacific Steamship Co., known as the Merchants Line.

The CHAIRMAN. That is, W. R. Grace & Co. are agents for the Merchants Shipping Line, and it is also called the New York & Pacific Steamship Co.?

Mr. BOUVIER. That is the corporate name of it; yes.

The CHAIRMAN. In what areas do you trade? To what countries do you trade?

Mr. BOUVIER. To the west coast of South America, and on the way we stop at two Patagonian ports occasionally.

The CHAIRMAN. Do you trade by way of the Straits of Magellan?

Mr. BOUVIER. Yes; by the way of the Straits of Magellan.

The CHAIRMAN. You do not trade by way of Panama?

Mr. BOUVIER. The steamers do not operate that way. We trade as merchants by that way.

The CHAIRMAN. I thought you transferred there. Do you trade to Panama and then transship?

Mr. BOUVIER. No; the steamers do not. Our steamers go via the Straits of Magellan to the west coast of South America.

The CHAIRMAN. What other line operates to the west coast of South America?

Mr. BOUVIER. The West Coast Line and the New York & South American Line.

The CHAIRMAN. Has the West Coast Line any other name, or what is the corporate name?

Mr. BOUVIER. The firm is Wessel, Duval & Co.

The CHAIRMAN. What is the name of the other concern?

Mr. BOUVIER. J. W. Ryan is agent; agent of the New York & South American Line.

The CHAIRMAN. Is that the name of the steamship line, or is that just simply a trade name?

Mr. BOUVIER. That is a trade name.

The CHAIRMAN. Is it any steamship company, in fact, or do they just charter vessels?

Mr. BOUVIER. They charter vessels. They are all chartered steamers.

The CHAIRMAN. All are chartered steamers?

Mr. BOUVIER. Yes; so far as I know. I do not know their arrangement, though.

The CHAIRMAN. W. R. Grace & Co., and Wessel, Duval & Co., do not own any steamers?

Mr. BOUVIER. The New York & Pacific Steamship Co. own steamers.

The CHAIRMAN. But I understand that W. R. Grace & Co. do not own any steamers?

Mr. BOUVIER. They control the New York & Pacific Steamship Co.

The CHAIRMAN. Who owns the New York & Pacific Steamship Co.?

Mr. BOUVIER. W. R. Grace & Co. and its principal stockholders.

The CHAIRMAN. Who is the president of the company?

Mr. BOUVIER. There is no president. It is an English corporation. Mr. M. P. Grace is chairman.

The CHAIRMAN. Is it a corporation?

Mr. BOUVIER. Yes; an English corporation.

The CHAIRMAN. Is Grace an Englishman?

Mr. BOUVIER. Some of the family are. Mr. M. P. Grace is not an Englishman.

The CHAIRMAN. And the stock is owned and controlled in England chiefly, is it?

Mr. BOUVIER. No; it is not chiefly. W. R. Grace & Co. and the principal stockholders of W. R. Grace & Co. control the New York & Pacific Steamship Co.—own it.

The CHAIRMAN. Is the principal ownership in this country or in England?

Mr. BOUVIER. It would be in this country.

The CHAIRMAN. I wanted to make that clear. Do you give regular service between New York and the west coast of South America?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. How many sailings do you have a month?

Mr. BOUVIER. We have 22 sailings—about 2 a month.

The CHAIRMAN. You mean W. R. Grace & Co. do, or the three?

Mr. BOUVIER. W. R. Grace & Co.

The CHAIRMAN. How many sailings do each of these other companies have?

Mr. BOUVIER. Twenty-one, I believe, together.

The CHAIRMAN. I believe you say you have—

Mr. BOUVIER. Twenty-two.

The CHAIRMAN. Tell the committee whether your firm, company, or line, at the present time, is, or has it been, say, within two or three years past, a party to any agreement or arrangement or understanding with any other steamship line or lines, including those mentioned, as regards either the freight or passenger traffic to or from the United States and the west coast of South America?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You say you have no agreement with them affecting the division of traffic or territorial division of routes?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Nor the discontinuance of service between designated ports, by either your line or the other lines mentioned?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Do you regulate the time and number of sailings between designated ports by agreements?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Have you any understanding by which you grant deferred rebates or other privileges or advantages to shippers?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Have you any agreement by which you maintain uniform rates?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Kindly explain to the committee how it happens that your rates and the rates of the line operated by Wessel, Duval & Co., as furnished to the committee, are identical?

Mr. BOUVIER. I think that they follow us.

The CHAIRMAN. That is a fact, is it not, that your rates are identical to ports—

Mr. BOUVIER. I do not know that, and from the information we get—of course, the rates are varied there all the time.

The CHAIRMAN. At a given time are they not the same?

Mr. BOUVIER. No, sir; they are not.

The CHAIRMAN. You have compared the rates of W. R. Grace & Co. with the rates of Wessel, Duval & Co. You know it to be a fact that the published rates are identical, are they not?

Mr. BOUVIER. I did not know it; no, sir. I hoped they would be, but I do not know it.

The CHAIRMAN. Have you not their rates in your office?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You never have had?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You never have seen them?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You were never advised that they were the same until now?

Mr. BOUVIER. I have not been advised that they were. I hoped they would be. I made those rates when the Panama Line changed their rates the last time. I made up the tariff, taking the English tariff and the Panama tariff, and reduced them so they would be entirely competitive. Our rates are less. They are low and they are less than either the Panama Line to the west coast or the English lines.

The CHAIRMAN. What is the amount of the reduction?

Mr. BOUVIER. The difference between?

The CHAIRMAN. Yes.

Mr. BOUVIER. I do not know. They vary. They are less than the English rates on almost everything.

The CHAIRMAN. What is the difference between them and the rates via Panama to the west coast of South America?

Mr. BOUVIER. Our rates? Well, I do not know just what the difference is, but we are very much less.

The CHAIRMAN. Any appreciable difference?

Mr. BOUVIER. Yes.

The CHAIRMAN. Could you suggest what per cent?

Mr. BOUVIER. No; there is no per cent. You could not figure a percentage on it. We get all the rough cargo practically via Magellan.

The CHAIRMAN. The package freight goes the other way?

Mr. BOUVIER. Finer freight goes the other way. In fact, we ship our own freight that way largely. It is a shorter time to a great many of the ports.

The CHAIRMAN. I will state to you for your information, that we have reports from both of the companies, and we have the rates which you say are in force, and they are identical. And from that we naturally inferred that they were framed by agreement.

Mr. BOUVIER. No, sir. We devoutly hope they will be the same. In the steamship business stable rates are essential, if possible, and if they follow our rate it is a matter of self-interest.

The CHAIRMAN. There is no agreement between you?

Mr. BOUVIER. There is no agreement on the subject, and they are varied there all the time. We get our information to that effect from brokers and shippers, who tell us.

The CHAIRMAN. You do not have any conference with them?

Mr. BOUVIER. We see them. We are perfectly friendly with them, but there is no conference on the subject, and we are competing all the time for cargo—keenly competing.

The CHAIRMAN. There is never a suggestion of one to the other that your rates are the same, and they did not tell you that they had adopted your schedule of rates?

Mr. BOUVIER. Told us they had adopted our schedule?

The CHAIRMAN. Yes.

Mr. BOUVIER. No. When the last change came, Wessel, Duval & Co. asked me if we had changed our tariff. I told them, "Yes; we had." They asked me if I would give them a copy of it, and I did so.

The CHAIRMAN. Did they not tell you then that they would conform to it?

Mr. BOUVIER. They did not.

The CHAIRMAN. Did you have any understanding between you that they would do so?

Mr. BOUVIER. No; I hoped they would do so from a matter of self-interest.

Mr. HUMPHREY. Did you say that to them?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Is there any understanding or agreement between the lines operating to the west coast of South America via Panama to your knowledge?

Mr. BOUVIER. I never thought there was, because one of the lines is a government line, and they have the same rates—the four lines

have the same rates—but I never thought there was an agreement. I thought they simply adopted those tariffs.

The CHAIRMAN. Whose tariffs were adopted in that instance—the Government's?

Mr. BOUVIER. The Government's. The first man's tariff, which was the Government's.

The CHAIRMAN. The other tariffs conform to the Government's? Has your line any arrangement with those lines?

Mr. BOUVIER. None whatever. We are competing all the time for cargo.

The CHAIRMAN. What class of cargo do you handle?

Mr. BOUVIER. Well, the rougher, cheaper articles.

The CHAIRMAN. Mention some of them.

Mr. BOUVIER. Resin, pitch, lubricating oil, the cheaper classes of dry goods, oil, wax, turpentine, naval stores, lumber, cement, pipe, machinery, iron, steel, cars, and locomotives.

The CHAIRMAN. Usually in cargo lots?

Mr. BOUVIER. In very large lots.

The CHAIRMAN. Is your trade different from that of Wessel, Duval & Co.?

Mr. BOUVIER. No, sir; just the same. We are both merchants.

The CHAIRMAN. Do you both handle the same class of commodities?

Mr. BOUVIER. The same class of commodities.

The CHAIRMAN. To the same ports?

Mr. BOUVIER. The same ports.

Mr. STEPHENS. Do you consider them in serious competition with you?

Mr. BOUVIER. Very serious competition. There is fighting at the other end all the time.

Mr. STEPHENS. And do I understand you to say that you never have known their rates; have never seen a copy of the rates published by them to the public?

Mr. BOUVIER. I never have; no, sir. We have obtained our information as best we can.

Mr. STEPHENS. Then you have the information? You have known what their rates were when making your own rates?

Mr. BOUVIER. We ask information all the time; yes.

Mr. STEPHENS. Who did you ask for information?

Mr. BOUVIER. We get it from brokers and from other shippers.

Mr. STEPHENS. These competitors of yours do publish a ratesheet, do they not?

Mr. BOUVIER. No, sir.

The CHAIRMAN. They do not do that. It is typewritten?

Mr. STEPHENS. It is given considerable circulation by them, is it not?

Mr. BOUVIER. No.

Mr. STEPHENS. Are your typewritten rates given a considerable circulation?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Well, you know, as you testified, that you gave them a copy of your rates?

Mr. BOUVIER. Yes; they asked for it.

Mr. STEPHENS. Would you not consider it pretty good business to have a copy of their rates at hand?

Mr. BOUVIER. Well, I never thought of that.

Mr. STEPHENS. What is your reason for not having?

Mr. BOUVIER. We have made the rates that we were going to use as a basis.

Mr. STEPHENS. Yes; but if they are serious business competitors in this business, as you testify, why would it not be, or why did you not, secure a copy of the rates that they were making in the trade in which you were competitors of theirs?

Mr. BOUVIER. We find out what they are doing all the time. We know that they have got to quote the same rates that we do, approximately.

The CHAIRMAN. Why is that? Why have they got to do it?

Mr. BOUVIER. How can they help it in the steamship business? You have got to have a basis for doing business.

The CHAIRMAN. Why are they compelled to quote your rates?

Mr. BOUVIER. Well, the moment they quote something else we quote it. That becomes the rate then, and we make it the rate.

The CHAIRMAN. How do you know the rate that they quote?

Mr. BOUVIER. That is what we find out.

The CHAIRMAN. Does the shipper tell you?

Mr. BOUVIER. Yes.

The CHAIRMAN. Their customer?

Mr. BOUVIER. It is not their customer. It is anybody's customer.

The CHAIRMAN. Are these rates quoted publicly so that everybody has notice of them?

Mr. BOUVIER. No; but we see the shippers.

The CHAIRMAN. You get this information through shippers?

Mr. BOUVIER. Shippers and brokers.

Mr. STEPHENS. Is your reason for not having one of their tariffs the knowledge that you have that their rates would be the same?

Mr. BOUVIER. I have no such knowledge beyond the hope that they would be.

Mr. STEPHENS. Have you not felt sure upon making a rate that theirs would follow yours?

Mr. BOUVIER. We knew they had to to a certain extent, but it is deviated from frequently. We know that. Whenever they want cargoes they deviate from the rate and take them.

Mr. STEPHENS. Why would they have to follow your rate?

Mr. BOUVIER. There must be a basis for doing business. What rates would they have?

Mr. STEPHENS. Do you think they would be serious competitors if they followed you in everything? Do you call that competition, really?

Mr. BOUVIER. In the steamship business you have to have a basis to charge on. They can deviate from that as much as they like, and they do deviate.

Mr. STEPHENS. Still, you say that you varied from your basis right along if you found them making any different rate?

Mr. BOUVIER. Yes.

Mr. STEPHENS. How often does that happen?

Mr. BOUVIER. Oh, I do not know; frequently, I do not know how often.

Mr. STEPHENS. Do they repeatedly cut rates?

Mr. BOUVIER. Yes.

Mr. STEPHENS. Every week?

Mr. BOUVIER. Well, I do not know. It is frequently.

Mr. STEPHENS. In your judgment, how often?

Mr. BOUVIER. Well, yes, something all the time.

Mr. STEPHENS. You have no agreement of any kind whatever concerning rates or concerning cargoes, or times, or ships, or anything else with them?

Mr. BOUVIER. Absolutely none.

Mr. STEPHENS. When a question of rates was coming up, when you had heard that they were making a lower rate than you on something, have you never consulted them or talked with them or their agents about what kind of rate you would establish, or what you both should have?

Mr. BOUVIER. I do not recall ever having done so. Certainly not in a long time. I will not say never, but certainly not in a long time.

Mr. STEPHENS. How far back would you think your present lack of understanding goes?

Mr. BOUVIER. Well, I never had any formal conference. These gentlemen are friends, and we see them occasionally. I see them.

Mr. STEPHENS. You do run a line, if I may so state it, to the west coast of South America?

Mr. BOUVIER. Yes, sir.

Mr. STEPHENS. Transship at Panama, do you not?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Do you not take any large amount of shipments for the west coast of South America via Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Do you ship any particular amount of goods that way?

Mr. BOUVIER. Yes; we ship.

Mr. STEPHENS. Do you do that of your own accord, or is that the way they are routed by the shipper?

Mr. BOUVIER. We do it of our own accord. It is a question of time, generally.

Mr. STEPHENS. But the shipper has nothing to do with the routing of it via Panama?

Mr. BOUVIER. Do you mean the shipper at the other end?

Mr. STEPHENS. The shipper at this end or the other end, either.

Mr. BOUVIER. We are the shipper. We are merchants.

Mr. STEPHENS. I mean the consignors.

Mr. BOUVIER. He may state so. If it is his cargo he states so; if it is our cargo we will state it.

Mr. STEPHENS. Then you do carry large shipments in cargoes to the west coast of South America via Panama?

Mr. BOUVIER. We ship them by the line going via Panama.

Mr. STEPHENS. That is what I was trying to find out.

The CHAIRMAN. You say they are not your own lines?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. They are not your own boats or your lines?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. You have no control over the vessels between New York and Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you at any time in the last five years owned or controlled any vessels plying between the north Atlantic ports and Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you any agreement whatever with the Government line or any other lines that ship to the west coast of South America or to the west coast of North America via Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you any agreement with the Panama Railroad or Panama Steamship Co.?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Neither written nor implied?

Mr. BOUVIER. Neither written or implied. I want to say that our line, when we originated it, succeeded sailing vessels, and although it is an English company it is really an American line. It is built purely and solely to further American trade.

Mr. WILSON. You say that there must be a basis for these rates? I believe I understood you to say there had to be a basis.

Mr. BOUVIER. Well, you have got to have something to quote; there are so many articles to quote on; and we take the Panama tariff.

Mr. WILSON. If these people are serious competitors of yours, why should they not establish a basis as well as you?

Mr. BOUVIER. Why, but they can.

Mr. WILSON. If they establish—

Mr. BOUVIER. Except we take the Panama line and just go under it. That would be their same basis.

Mr. WILSON. If they establish a basis, would it not be to your interest to know what that basis is?

Mr. BOUVIER. If they established it—yes.

Mr. WILSON. Then, would it not be to your advantage to go to them for your information as to what their basis is?

Mr. BOUVIER. Do you mean what their rates are?

Mr. WILSON. Yes; a basis for their rates.

Mr. BOUVIER. I could do it.

Mr. WILSON. Would you not get more accurate information that way than by getting it from brokers or some people who simply deal with them?

Mr. BOUVIER. Well, I do not know. I do not think I would like to ask them. When they cut rates I do not think I would like to ask them.

Mr. WILSON. Apparently they did not hesitate to ask you.

Mr. BOUVIER. I was very glad to give it to them.

Mr. WILSON. Might not they be just as glad to give it to you—to give the information to you—as you were to give it to them?

Mr. BOUVIER. They were, probably. I really hoped that they would use our rates. I am perfectly frank to say I hoped they would. We devoutly prayed they would. It is much better that they should.

Mr. HARDY. Why do not they pray just as hard as you do?

Mr. BOUVIER. We are the pioneers in the business, that is all.

Mr. HARDY. You say you are the pioneers?

Mr. BOUVIER. Yes.

Mr. HARDY. A stronger line, and they can get more favors by adopting your methods and your rates than by open competition?

Mr. BOUVIER. Well, we have the competition just the same.

The CHAIRMAN. Does this competition result in lowering the freight rates to the west coast of South America as between the two lines?

Mr. BOUVIER. Well, when all the lines of the world have raised their rates anywhere from, we will say, 50 to 200 per cent, I do not think our rates have been much raised. I have never figured the percentage, but I tried to figure a tonnage basis, and I do not think the difference is over 70 cents a ton average on the kind of cargo that goes to the west coast.

The CHAIRMAN. About what per cent would that be?

Mr. BOUVIER. Well, possibly 10 per cent. I am not sure of that. I have not those figures. We could to-day charter our steamers at the market rates and make twice as much as we are making on them—just chartering them in the open market—and have no trouble about it.

Mr. STEPHENS. I understood you to say that your company was making 22 sailings per annum to the west coast of South America?

Mr. BOUVIER. Yes.

Mr. STEPHENS. And that your so-called competitors are making 21 sailings?

Mr. BOUVIER. Yes.

Mr. STEPHENS. And that the 21 sailings were made by the two companies with which you were supposed to be competing?

Mr. BOUVIER. Yes.

Mr. STEPHENS. Can you tell how much more or how much less your competitors carry than you do per annum?

Mr. BOUVIER. Yes; approximately.

Mr. STEPHENS. Will you give it to the committee?

Mr. BOUVIER. Let us see if I can recall it. This is approximate. I am not sure. I think we carried 150,000 tons.

Mr. STEPHENS. In the year 1911?

Mr. BOUVIER. 1912. I can not remember the figures. I think, roughly, about 140,000 tons—the other two.

Mr. STEPHENS. 10,000 tons per annum less than shipped by your line?

Mr. BOUVIER. Yes; the other two.

Mr. HUMPHREY. That is, the other two here?

Mr. BOUVIER. Yes; the other two here.

Mr. HUMPHREY. I want to ask you this question so as to get it clear in my mind: Do I understand you to say that your line and your competitors have no understanding, direct or implied, for the fixing of rates?

Mr. BOUVIER. Do I understand you to mean an agreement? As I stated before—

Mr. HUMPHREY. I mean an agreement, understanding, or arrangement of any kind.

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. None whatever?

Mr. BOUVIER. None whatever.

Mr. HUMPHREY. Well, then, if the committee has copies of the rates published by your line and your competitors, issued at various

times, heretofore, and they are identical all the way through, do you want the committee to believe that is a mere coincidence?

Mr. BOUVIER. I do not think it is a mere coincidence.

Mr. HUMPHREY. Then how do you account for the fact that it is true?

Mr. BOUVIER. I said, of course, it is to their interest to do so.

Mr. HUMPHREY. Then, as I understand, what you want the committee to believe is this: That while there is no understanding or arrangement or agreement with your competitors, they simply copy your rates?

Mr. BOUVIER. I think they use them as a basis and quote from them what they please.

Mr. HUMPHREY. Suppose, as I said a while ago, you quote exactly the same rates?

Mr. BOUVIER. Have they always quoted the same rates? They have not.

Mr. HUMPHREY. I am asking you to suppose that they are the same. Suppose that they do that. Do you want us to think it is a mere coincidence? If there is not any agreement about it, of course they must copy your rates verbatim and get just the same, because I understand from you there is no agreement, arrangement, or understanding?

Mr. BOUVIER. No, sir; there is not.

Mr. HUMPHREY. So that if the rates are the same, they must just copy your rates?

Mr. BOUVIER. Yes, sir.

Mr. HUMPHREY. They could not get them in any other way?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. Do you ever copy their rates?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. I want to ask you, then, this question: Do you consider, as a business man, that a line is a competitor which copies your rates exactly?

Mr. BOUVIER. Well—but they do not have to maintain them.

Mr. HUMPHREY. Suppose they do maintain them; suppose that those lines maintain the same rates that you do—copy your rates and maintain the same. Do you regard that line as a competitor that follows after you?

Mr. BOUVIER. We are competing for freight all the time.

Mr. HUMPHREY. Then, as I understand you, they are a competitor in the sense of their competing to get the freight, but not competitors in rates?

Mr. BOUVIER. Well, they are competitors in rates; yes. But they are going to get all they can out of it. If they can get these rates, they are not going to take any less.

Mr. HUMPHREY. They would not be competitors in rates if they followed your rates, would they? If a competitor follows your rates, gives exactly the same rates you give and you fix the rates independently, they would not be a competitor in rates, would they?

Mr. BOUVIER. They are competitors to get the cargo, and if they can not get those rates, they get any rates they can; I do not know.

Mr. HARDY. If you never cut their rates, why do you inquire as to what their rates are?

Mr. BOUVIER. I do not say we do not cut their rates. We may have to.

Mr. HARDY. Do you mean when you find out they have made a given rate that you change your rate to meet it or not?

Mr. BOUVIER. It would depend on the circumstances.

Mr. HARDY. Did you ever change your rates to meet theirs?

Mr. BOUVIER. We might do so.

Mr. HARDY. Did you do so?

Mr. BOUVIER. We have done so; yes.

Mr. HARDY. Did you ever cut under them?

Mr. BOUVIER. Yes.

Mr. HARDY. For the purpose of getting freight away from them?

Mr. BOUVIER. Yes.

Mr. HARDY. You say they cut under you sometimes; does that ever produce a rate war?

Mr. BOUVIER. It might.

Mr. HARDY. Has it ever done so?

Mr. BOUVIER. Yes, sir; it has.

Mr. HARDY. When did you have a war? When was the last time you had a rate war?

Mr. BOUVIER. I do not know exactly that you would call it a rate war.

Mr. HUMPHREY. Have you any agreement that you will not get into a rate war?

Mr. BOUVIER. No; but it is to everybody's interest that we should not get into a rate war.

Mr. HARDY. When was your last ripple, we will call it—just a difference?

Mr. BOUVIER. I can not answer that—two years ago.

Mr. HARDY. Do you remember having had a rate war within the last two years, any difference on rates?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. You have had a cut of rates in two years?

Mr. BOUVIER. Oh, yes; we have had a cut in rates within two years.

Mr. HARDY. Two years?

Mr. BOUVIER. Surely.

Mr. HARDY. When was the last time you had any rate cut?

Mr. BOUVIER. Some years ago—I was not in the business some years ago.

Mr. HARDY. You mean before you came in connection with it?

Mr. BOUVIER. Yes.

Mr. HARDY. I thought you said you had in the last two years.

Mr. BOUVIER. No.

Mr. HARDY. You have not had any rate war within the last two years?

Mr. BOUVIER. Not a rate war.

Mr. HARDY. Have you had any rate cutting?

Mr. BOUVIER. Oh, yes; certainly.

Mr. HARDY. Have you had any rate cutting within the last two years?

Mr. BOUVIER. Oh, surely.

Mr. HARDY. On what?

Mr. BOUVIER. I could not say.

Mr. HARDY. Do you remember anything about rate cutting going on within the last two years?

Mr. BOUVIER. I do not remember. Things come up all the time.

Mr. HARDY. Do you remember any commodities on which there has been a cut in rates between your company and the two others?

Mr. BOUVIER. I can not possibly recall; I do not handle all these matters.

Mr. HARDY. As a matter of fact, it is a sort of imagining on your part that there might have been a cutting of rates within the last two years?

Mr. BOUVIER. Oh, no.

Mr. HARDY. Do you remember there was any?

Mr. BOUVIER. Yes; I remember the fact.

Mr. HARDY. And do you remember about what time?

Mr. BOUVIER. No; I can not remember the time.

Mr. HARDY. You do remember when it was?

Mr. BOUVIER. No.

Mr. HARDY. Do you remember who it was you were cutting with, what company?

Mr. BOUVIER. No; I do not recall.

Mr. HARDY. But you just have a vague idea that there was some cutting in rates during the last two years?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. But you can not state when?

Mr. BOUVIER. No, sir.

Mr. HARDY. Nor on what it was?

Mr. BOUVIER. No; I do not recall. A man would report to me "so and so," but I do not recall what the things are.

Mr. STEPHENS. Do you have anything to do with the establishment of the new or cut rates? Is that your province, to establish the new cut rate—you, yourself, I mean?

Mr. BOUVIER. Well, the rates would not be changed without speaking to me. I would not go into the details of it.

Mr. HARDY. Do you tell them to change it?

Mr. STEPHENS. I was not quite through.

Mr. HARDY. Oh, I beg your pardon.

Mr. STEPHENS. Do you not give your employees the right to change the rate within certain bounds?

Mr. BOUVIER. They would speak to me about it.

Mr. STEPHENS. You think that you would know every time the necessity for cutting rates existed or came about?

Mr. BOUVIER. The necessity on my part you mean?

Mr. STEPHENS. Yes, sir.

Mr. BOUVIER. I think that I would, probably; I might not, but I think I would.

Mr. STEPHENS. Do you remember how long ago it was that you cut a rate; how long it has been since you did?

Mr. BOUVIER. Why, we cut them all the time.

Mr. STEPHENS. Do you remember how long ago since you did?

Mr. BOUVIER. Not long ago we were fighting with Europe for a lot of cars in competition to see which side would get them.

Mr. STEPHENS. You mean you were fighting these other two companies?

Mr. BOUVIER. No; we were fighting with England to see who would get the cars.

Mr. STEPHENS. We have not been talking about England. I am talking about your two competitors and the necessity for cutting rates on lines that were making lower ones than you had been making previously.

Mr. BOUVIER. We made a rate to take those cars.

Mr. STEPHENS. They were your competitors alone in that proposition, do I understand you to mean?

Mr. BOUVIER. No; probably not. I do not know who was in it, but we were competing over there.

Mr. STEPHENS. I did not touch upon that matter. This is a question between your company and your two competitors; and I would like to know if you can tell us how long ago it was that you cut a rate or found it necessary to cut a rate lower than your two competitors on freight going from New York to the west coast of South America.

Mr. BOUVIER. I could easily give you that. It is not so very long ago, but I do not remember just when it was.

Mr. STEPHENS. Have you a copy of the rates that they had and you had, too?

Mr. BOUVIER. No.

Mr. STEPHENS. At that time?

Mr. BOUVIER. No; I would not have any copy of it. I could find out.

Mr. STEPHENS. In a general way, how many times do you think you cut rates in the last 12 months below your two competitors on boats from New York to the west coast of South America?

Mr. BOUVIER. I could not guess. Twenty or thirty times.

Mr. STEPHENS. A dozen times?

Mr. BOUVIER. More than that.

Mr. STEPHENS. Twenty times?

Mr. BOUVIER. Easily; yes.

Mr. STEPHENS. But you think that would be all, 20 times; do you?

Mr. BOUVIER. I do not know. I guess roughly, perhaps—I can not guess.

Mr. STEPHENS. Well, as we can not get any definite information, I would like to have a little general information, if I can: If you cut 20 times or 22 times, that would be every time your boat sailed, would it not? Every time one of your steamships left New York for the west coast of South America you had a cutting of rates?

Mr. BOUVIER. It might be; I can not say.

Mr. STEPHENS. Do you think that is true?

Mr. BOUVIER. Yes; probably.

Mr. STEPHENS. Do you know, definitely, whether or not the rates have been maintained on your different sailings? Do you think it is possible that you would cut the rates every time you have a cargo to ship from New York to the west coast of South America?

Mr. BOUVIER. We cut something on every ship.

Mr. STEPHENS. Of any consequence?

Mr. BOUVIER. Oh, yes.

Mr. STEPHENS. You believe that every time your ship leaves New York for——

Mr. BOUVIER. I do not say every ship; I do not say it comes in that way. There might be two or three on one ship.

Mr. STEPHENS. All right; two or three times on one ship. It would not necessarily mean any large amount of cut in the rate, would it?

Mr. BOUVIER. No.

Mr. STEPHENS. Is it not a fact that, generally speaking, you have the same rate as your competitors?

Mr. BOUVIER. I hope so; and I think it is, generally.

Mr. STEPHENS. Is not 95 per cent of the business carried by your ships and by theirs at equal rates for the same sailings?

Mr. BOUVIER. I do not know about theirs; I think ours are.

Mr. STEPHENS. It could not very well be one of them. Yours could not equal his without his equaling yours. Is it your opinion that 95 per cent of the business done between New York and the west coast of South America is carried by you and your two competitors at practically the same rates? That is, on the same day of sailing of the same week.

Mr. BOUVIER. Probably.

Mr. STEPHENS. Is it any greater than 95 per cent?

Mr. BOUVIER. I can not say; I do not know, sir.

Mr. STEPHENS. I understand you believe, then, that 5 per cent of the goods carried by yourself and your competitors to the west coast of South America are at cut rates—some cut rates?

Mr. BOUVIER. Well, there may be. I could not say.

Mr. STEPHENS. Have you any opinion about it?

Mr. BOUVIER. I think so; yes. I think it is more than possible; but I do not know.

Mr. STEPHENS. Can you give the committee a copy of the bills of lading carrying the rate at which goods were shipped on your several sailings for the past year?

Mr. BOUVIER. I do not know whether I can give the bills of lading or not.

Mr. STEPHENS. Do you not keep copies of the bills of lading?

Mr. BOUVIER. No; our captain gets the copy.

Mr. STEPHENS. You have no office copy?

Mr. BOUVIER. I do not think so.

Mr. STEPHENS. The shipper gets a copy and the captain gets a copy, and no other person?

Mr. BOUVIER. No other person; no.

Mr. STEPHENS. You only make them in duplicate, not in triplicate?

Mr. BOUVIER. I think we have a slip; I think possibly I could get the rate.

Mr. STEPHENS. Do you keep a copy of them for all your different ships from New York to the west coast of South America for any particular length of time?

Mr. BOUVIER. Yes.

Mr. STEPHENS. How long?

Mr. BOUVIER. I think probably a year; over six months, anyway.

Mr. STEPHENS. Then you can give the committee copies of the bills of lading, or practically what is in the bills of lading, for the past six months?

Mr. BOUVIER. Yes.

The CHAIRMAN. Will you produce them?

Mr. BOUVIER. Yes.

The CHAIRMAN. We want just a few of each.

Mr. BOUVIER. Of course it is a vast amount of work.

The CHAIRMAN. I do not want you to furnish all of them; just a few of them; enough to show the course of business and the rates charged.

Mr. BOUVIER. Yes.

The CHAIRMAN. We do not want you to select them out; just take them as they come.

Mr. BOUVIER. How do you mean "as they come"?

The CHAIRMAN. We do not want you to select them.

Mr. WILSON. When you cut the rate on any of these sailings, do all the shippers shipping on the same date get the benefit of the cut in the rates?

Mr. BOUVIER. We would give everybody the same chance on the same goods.

Mr. WILSON. On the same class of goods.

Mr. BOUVIER. On the same goods; yes.

The CHAIRMAN. It is true, is it not, that yours is the more powerful line engaged in that trade, and for that reason you make the rates, and they are compelled to conform to them or else you would shut them out of the trade?

Mr. BOUVIER. Oh, no; we could not shut them out of the trade.

The CHAIRMAN. There are always tricks in all trades, I have understood. Now, is the trick in this trade that you make the rate with the expectation and the hope that they will conform to them, and there is a tacit understanding that they will do so?

Mr. BOUVIER. No. Our hope is they will do so; there is no question about that, and I will be perfectly frank in saying that we do hope that.

The CHAIRMAN. It is understood that you make the rate?

Mr. BOUVIER. I do not know that it is understood that we make the rate.

The CHAIRMAN. Then your hope is that they will follow it?

Mr. BOUVIER. Yes; certainly.

The CHAIRMAN. And your hope and desire and your expectation is that they will do so, and you would be very much disappointed if they did not?

Mr. BOUVIER. No, sir. There is no doubt but what we hope they will.

Mr. HUMPHREY. What do you do? Suppose they cut the rates 20 per cent; what would you do?

Mr. BOUVIER. That has taken place.

Mr. HUMPHREY. What would you do with that?

Mr. BOUVIER. We would do the same.

Mr. HUMPHREY. Commence a war?

Mr. BOUVIER. Yes.

Mr. HUMPHREY. And if they would cut the rates now, don't you think undoubtedly that a rate war would commence, and it would be a fight of extermination if they did not quit, would it not?

Mr. BOUVIER. I do not know about extermination.

Mr. HUMPHREY. Have all of the other lines ever indicated or intimated to you in any way that if you fixed the rates they would follow them?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. What do you suppose is their purpose in asking you for a copy of your rates?

Mr. BOUVIER. The purpose is to use them and follow them as far as it suits them to do so.

Mr. HARDY. If you think an agreed rate would be better, why is it that you have not suggested to the other parties to do that?

Mr. BOUVIER. We do not want a hard and fast agreement. It is questionable if—

Mr. HARDY. Have you avoided that just for fear you might get in bad with the law?

Mr. BOUVIER. We have never decided whether we wanted an agreement.

Mr. HARDY. I thought you said you did want the same rates?

Mr. BOUVIER. Yes; the same rates.

Mr. HARDY. And hoped to have them?

Mr. BOUVIER. Yes.

Mr. HARDY. Why is it you do not agree on them?

Mr. BOUVIER. It is a question whether that is permitted or not. That is a very grave question.

Mr. HARDY. Why is it that W. R. Grace & Co., one corporation, becomes the owner of the Merchants' Line, another corporation—why is it that it is not just one big corporation?

Mr. BOUVIER. We can not hold these steamers.

Mr. HARDY. You can not hold any steamers?

Mr. BOUVIER. English steamers.

Mr. HARDY. Is W. R. Grace & Co. an American corporation?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. And then you own stock in an English corporation?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. You hold a majority of that stock?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. Grace & Co.'s stock?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. That is the reason for the two organizations?

Mr. BOUVIER. Yes, sir.

STATEMENT OF MR. ROBERT JAFFRAY, A MEMBER OF THE PARTNERSHIP OF WESSEL, DUVAL & CO., OF NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Are you a member of the firm of Wessel, Duval & Co.?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. Is one of the lines referred to as engaged in the trade between the west coast of South America and New York?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. You may tell the committee whether or not you have any arrangement or understanding with Grace & Co., or any other lines operating to the west coast of South America.

Mr. JAFFRAY. We have none, sir.

The CHAIRMAN. Have you any agreement to maintain rates?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Or as to a division of traffic?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Of ports to which you will trade?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Your rates are the same, are they not, in fact?

Mr. JAFFRAY. May I preface my answer to that with a little statement?

The CHAIRMAN. Yes.

Mr. JAFFRAY. We are principally merchants, sir. Our house, I think, must be the oldest in that trade. The business was established 85 years ago, and we are principally merchants, as I say. For many years the business was conducted between Boston and the United States, and the firm simply transported its own goods in both directions, not taking freight from the market. Later, the New York business was established, and the freighting service was then begun with sailing vessels in which we would ship our own merchandise and engage freight from the market, and that has gradually grown into our present steamer service. We therefore maintain the line primarily for ourselves, but we do engage freight from the shippers in the market and seek it quite actively, as it enables us to make more frequent dispatches, and we have always said to the shippers that whatever they give to us in the way of freight we would see they were charged no higher than the other lines charge; that if they would give us a share of their freight, we would carry it at the current market rate. And we have always made an attempt to get that information in every way possible; and Mr. Bouvier is quite right in saying that at the time the last change was effected in the tariff we asked them if they would give us a copy of their tariff.

The CHAIRMAN. And they did so?

Mr. JAFFRAY. They did so; yes.

Mr. HARDY. You conform to it?

Mr. JAFFRAY. Nominally, yes, sir; but we vary from it whenever it suits our convenience to do so.

Mr. HUMPHREY. Well, it never suits your convenience to vary from it very much; not enough to incite their antagonism?

Mr. JAFFRAY. Yes, sir; we often do, very materially.

Mr. HUMPHREY. Have you had any rate war?

Mr. JAFFRAY. No, sir; but what I mean is that we would at any time agree to carry a large quantity of freight at such a rate as suits our convenience, without the slightest regard to what they charged in their tariff on those articles.

Mr. HUMPHREY. Have you ever done that to such an extent that they protested against it?

Mr. JAFFRAY. They have never known anything about it, sir.

Mr. HUMPHREY. But you have never done that enough in any way to interfere with the friendly relations that exist between the two concerns?

Mr. JAFFRAY. I suppose they would be glad to have the freight we get, but we are quite good friends all the same, sir.

Mr. HUMPHREY. Your competition is entirely friendly?

Mr. JAFFRAY. Sir?

Mr. HUMPHREY. Your competition is not so severe but what you stay entirely friendly?

Mr. JAFFRAY. We do compete, as I say, with perfect freedom for any freight that we particularly want, and name any rate of freight

that suits us to get it; but we believe, and have never made any secret of our belief, that a stable state of affairs in regard to freights is the most satisfactory one, and I think the shippers all know very well that if they send their freight by our steamers they will be charged the current rates.

Mr. HARDY. If a shipper came to you and said W. R. Grace & Co. offered a certain rate, you would have to cut under the rate?

Mr. JAFFRAY. Cut under the rate?

Mr. HARDY. Yes, sir.

Mr. JAFFRAY. We would if we felt like it, sir. We would have to meet it if we wanted the business.

Mr. HARDY. You would have to meet it. If a shipper came to you and told you that Grace & Co. said they would charge so much for freight, to get that freight you would have to cut under it?

Mr. JAFFRAY. I do not remember any such instances, but we would feel at perfect liberty to do so if we wanted the freight bad.

Mr. HARDY. Have you any inclination to do it?

Mr. JAFFRAY. Not if we can get the same rate they have.

Mr. HARDY. Have you ever done it?

Mr. JAFFRAY. I think it is quite likely, but I do not remember any instances.

Mr. HARDY. Have you ever had a shipper come to you for your rates after getting their rates, and you took the freight at a lower rate?

Mr. JAFFRAY. I do not remember such instances.

Mr. HARDY. Have there been any instances when you have cut under their freight rates?

Mr. JAFFRAY. I do not know, sir.

Mr. HARDY. Has your practice been to cut them?

Mr. JAFFRAY. I can only repeat what I said before. I think the shippers know we will charge them the rates which are current in the market.

Mr. HARDY. By "current," you mean Grace's rate?

Mr. JAFFRAY. The other lines.

Mr. HARDY. Well, there are three lines, yours, and one other and the Grace Line?

Mr. JAFFRAY. Yes, sir.

Mr. HARDY. Now, have you, to your knowledge, ever taken freight from a shipper at a lower rate than he has been quoted on that same freight from Grace & Co.?

Mr. JAFFRAY. No, sir; to my knowledge we have not had any such instance, but I know there may very well be some such case.

Mr. HUMPHREY. At one time, at my instigation, a gentleman asked a number of steamship companies their rates. At that time I think your line and these other two were among the ones that he interrogated, and according to his statement, each one of the lines after some little time reported to him on the shipment, and each one of you agreed in your offer—the offers of each one of the lines were exactly the same. What would you say that was, a mere coincidence, or that you had some consultation?

Mr. JAFFRAY. No, sir; no consultation; but I think I would not be sure that whatever the rate was, they had adopted the tariff rate at that time.

Mr. HUMPHREY. How could you know what the rate was of the other lines unless you did consult with them?

Mr. JAFFRAY. Why, because we try to keep posted, and in one instance, as I say, a copy of their tariff was furnished to us at our request. But we are in constant touch with shippers, and know what they are paying.

Mr. HUMPHREY. So you do not deny, then, it is a fact that if a shipper applies to you for rates all three of the lines running from New York to the west coast of South America, probably would quote him the same?

Mr. JAFFRAY. I think it is likely, sometimes, sir, that it would be the same; because, so far as I know, the other lines are working on that basis. We, as I say, try to do that, and the shippers know we charge the current rate.

Mr. HUMPHREY. And the current rate is the rate that is fixed by the three lines?

Mr. JAFFRAY. It is not fixed by the three lines.

Mr. HUMPHREY. Well, is it fixed by one line?

Mr. JAFFRAY. No, sir.

Mr. HUMPHREY. How is it fixed?

Mr. JAFFRAY. There is at all times a current rate on any particular article, which we can always ascertain from the shippers because if they have this article to ship they will not give it to us unless we charge the same rate they can get to ship it on the other lines, and we know, therefore, what they are charging on any particular article, and in order to get the freight we have to meet that rate.

Mr. HUMPHREY. As to the current rate, if your line does not fix it, who does fix it?

Mr. HARDY. The current rate does not fix itself.

Mr. HUMPHREY. There are three of you to fix a rate on a given article. Now, do the three companies fix the rate, or do two of the companies fix it, or does one company fix it? Who does fix what you call the current rate, and how do you understand what the current rate is?

Mr. JAFFRAY. We only know by charging what we believe the rate is, and being told if we charge too much, sir.

Mr. HUMPHREY. You say: "What you believe is the rate."

What rate do you refer to?

Mr. JAFFRAY. The rate that is on the tariff in use in our office at the time.

Mr. HUMPHREY. Where do you get that tariff in use in your office?

Mr. JAFFRAY. We make it up from information that we get. In the last instance we got it from W. R. Grace & Co., as I said.

Mr. HUMPHREY. Then if you get it from W. R. Grace & Co. do W. R. Grace & Co. fix the current rate and the other two lines follow it?

Mr. JAFFRAY. I do not think that is so, sir, because we would only adopt that rate if it suited our convenience.

Mr. HUMPHREY. I wish you would just explain to the committee the mysterious, metaphysical way. You do not all come to an agreement, and nobody fixes it.

Mr. JAFFRAY. It does not seem mysterious to me, sir; I try to get their rates and try to charge them.

Mr. HUMPHREY. I am very much mystified and I presume the other members are. You say there are three lines, they have a current rate. Nobody fixes it, and yet the rate happens to be the same for all three lines. I want to know how it is done, whether it is fixed by the three companies together, or by two companies, or by you?

Mr. JAFFRAY. No, sir.

Mr. HUMPHREY. Just explain to us how that mysterious rate is fixed, will you, and that you all happen to agree to it? Just tell us how you reach the conclusion, and, in your own way, just explain to the committee how that current rate is made.

Mr. JAFFRAY. I do not think there is any mystery in the rate; but as I illustrated about the last instance, every now and then we hear—

Mr. HUMPHREY. Who is "we"?

Mr. JAFFRAY. Wessel, Duval & Co. We hear that there is to be a change in the ruling rates. It is picked up by the freight clerk, or comes from our shipping clerk in making his shipments on the Panama road—

Mr. HARDY. Right there—when you hear that, do you imagine how it does get started?

Mr. JAFFRAY. No, sir; they issue that publicly.

Mr. HARDY. "They." Who is "they"?

Mr. JAFFRAY. The Panama Railroad.

Mr. HARDY. A change is published?

Mr. JAFFRAY. They publish they are going to make a change in the tariff.

Mr. HARDY. Who is going to make a change?

Mr. JAFFRAY. The Panama Railroad Co. We know, therefore, if they make changes, it may be necessary to make changes in our tariff, because that is the principal competition we have to meet—that and the English and German shipments from Europe.

Mr. HARDY. Now, do you think that the other companies and Grace & Co. hear that same thing at the same time?

Mr. JAFFRAY. Positively, sir.

Mr. HARDY. And they have the same premonitions you do?

Mr. JAFFRAY. It is no premonition; it is a public statement.

Mr. HARDY. It is a rumor?

Mr. JAFFRAY. No; it is not a rumor; it is a public statement. They tell us they are about to change their tariffs.

Mr. HARDY. The Panama people do?

Mr. JAFFRAY. I think so; yes, sir.

Mr. HUMPHREY. Do you agree on just how much you are going to cut it?

Mr. JAFFRAY. If there is any doubt, and we have that very often, we wait to see what Grace & Co. fix in their tariff. We know they are quite as well acquainted with the business as we are, and rather than take the time to do it ourselves we wait to see what changes are made; and if we can not find out from them we find out from the shippers what changes have been made, and then make our changes accordingly so as to charge the current rate.

Mr. HUMPHREY. Now, suppose the shipper comes to you and asks you to quote him a rate on a certain amount of cargo to be sent to the west coast of South America, and you do not know just what that rate is, and you may have heard in the meantime some rumor that

there is going to be a change. Do you ask him to wait before you quote him that rate until you can consult about what rate you are going to quote the shipper?

Mr. JAFFRAY. I would not consult anybody, sir.

Mr. HUMPHREY. You would not?

Mr. JAFFRAY. No.

Mr. HUMPHREY. How do you, without asking the other two lines and without consulting anybody, all agree on the same rates and all quote him the same rate?

Mr. JAFFRAY. I do not know what their line does, sir. But, as I say, the practice is in many cases to wait to see what changes W. R. Grace & Co. make in their tariff.

Mr. HUMPHREY. If any shipper asks you that, you ascertain what W. R. Grace & Co. charge?

Mr. JAFFRAY. You mean before the same is changed?

Mr. HUMPHREY. Yes. Suppose you want to ship a cargo now and you do not know what the rates are on that particular cargo, you have not obtained this current rate you spoke about.

Mr. JAFFRAY. Yes, sir.

Mr. HUMPHREY. The thing you do before you quote a rate on that is to ascertain what rate W. R. Grace & Co. are charging?

Mr. JAFFRAY. No, sir; we have no connection with W. R. Grace & Co. We make different rates to suit our convenience.

Mr. HUMPHREY. You fix it without regard to the rate charged by W. R. Grace & Co.?

Mr. JAFFRAY. That is done frequently.

Mr. HUMPHREY. And if he got about the same rate quoted by all three lines, that would be without consultation?

Mr. JAFFRAY. I do not think it is the same in all cases.

Mr. HUMPHREY. Is it usually?

Mr. JAFFRAY. I can only say we do try to follow the charges of the other lines so far as they are known to us. If they are not known to us, we make our own rates.

Mr. HUMPHREY. You never make any effort to find out what they are in advance?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Mr. Jaffray, in the absence of any established rate sheet put out by Grace & Co., you obtain your rates from the statements of shippers?

Mr. JAFFRAY. Yes, sir. We use all those means.

Mr. STEPHENS. Do you rely implicitly upon the statement of your shipper?

Mr. JAFFRAY. It depends on who the shipper is, sir.

Mr. STEPHENS. They do not all tell the truth?

Mr. JAFFRAY. We have many misrepresentations made to us, sir.

Mr. STEPHENS. You have a good many?

Mr. JAFFRAY. Oh, yes.

Mr. STEPHENS. If you find it is a misrepresentation, what do you do?

Mr. JAFFRAY. If we do, and we want to cut the rate, we do so; if we do not want to cut the rate, we let the freight go.

Mr. STEPHENS. Do you not take some means of finding out whether or not it is a misrepresentation?

Mr. JAFFRAY. Decidedly; yes, sir.

Mr. STEPHENS. Have you ever telephoned to Grace & Co. to confirm a cut in rate as alleged by a shipper?

Mr. JAFFRAY. No, sir; not to my knowledge.

Mr. STEPHENS. When you do your shipping you guarantee your rates, as I understand you to say?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Have you had any complaints from shippers that your rate was higher than that which was afterwards made to them?

Mr. JAFFRAY. I could not give you any definite information, sir. I think that may have occurred, but I do not remember any such instance.

Mr. STEPHENS. Do you publish a typewritten rate sheet?

Mr. JAFFRAY. No, sir; that is only for use in our office.

Mr. STEPHENS. You do not publish it at all?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Have you ever given either of the other lines one or more copies of your typewritten sheet, or have you in some way given to them by letters your rates upon different commodities or upon single commodities?

Mr. JAFFRAY. Not to my knowledge, sir. But as we were favored a little while ago by one of our competitors, we would respond should they request it.

Mr. STEPHENS. Have you ever had such a request?

Mr. JAFFRAY. No, sir; I do not remember any.

Mr. STEPHENS. Would you know if your firm had had such requests?

Mr. JAFFRAY. I think so. It certainly has not been for some time past. It might have been some years ago.

Mr. STEPHENS. Do you think your competitors usually have definite knowledge of the rates you make?

Mr. JAFFRAY. No, sir. I think our position is well known in the market—that we desire to charge the rates that are charged by other lines. We know we can not get more, and we do not want to take less, and I think that disposition on our part is known by everyone.

Mr. STEPHENS. Your competitors are in the market for business. Do you not feel that they practically at all times know the rate that you are making upon shipments from New York to points on the west coast of South America?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. As a general proposition, do you not know the rates your competitors are making upon such shipments?

Mr. JAFFRAY. I know nothing more than their tariffs, which I have in the office, sir. But at any time we are liable to have inquiries for large lots of freight, to figure on something of special importance, we handle those cases as we deem best and without conference or any application or any understanding of any kind.

Mr. STEPHENS. Mr. Jaffray, do you not feel it to be a fact, and believe it to be a fact, that your company had knowledge, practically and generally speaking, of the rates made all of last week on any shipments from New York to the west coast of South America?

Mr. JAFFRAY. No, sir. We did not have the slightest knowledge of it; there was no conference of that kind.

Mr. STEPHENS. Would you not have had some kind of notice from the other lines, or from shippers, that rates had been cut?

Mr. JAFFRAY. Not from the other lines, sir. If the shippers thought they could do better by getting a cut rate from one of the other lines, they would certainly come to us and say they could do better than our rate.

Mr. STEPHENS. They generally come, do they?

Mr. JAFFRAY. No, sir; not to my knowledge.

Mr. STEPHENS. Do you not feel and believe that had there been any cutting, you would have known about it?

Mr. JAFFRAY. I believe so; yes, sir.

Mr. AYRES. Mr. Jaffray, have you ever got orders or requests for rates for a larger amount of freight than you can conveniently carry?

Mr. JAFFRAY. Oh, yes, sir.

Mr. STEPHENS. And when that happens you give a rate of freight, and your customer perhaps wants to ship the rest of it at the same time, and what do you do with the rest of the freight? It kind of goes over to some other line to carry the surplus?

Mr. JAFFRAY. No, sir.

Mr. AYRES. How do you arrange that?

Mr. JAFFRAY. We take only what we can handle ourselves.

Mr. AYRES. How do you arrange that?

Mr. JAFFRAY. To the next steamer.

Mr. AYRES. To the next steamer, but if they want to ship by current steamer, by another line?

Mr. JAFFRAY. They do what they please. Any such offering would probably be for the bulk of the freight, sir, which we agree to take on one, two, or three steamers.

Mr. AYRES. In a case like that, Mr. Jaffray, you will say here is Grace & Co., or here is the other line going down, and they can probably take the balance?

Mr. JAFFRAY. No, sir; we have never done that. We want it all ourselves.

Mr. AYRES. Naturally, but we have heard that sort of testimony.

Mr. JAFFRAY. Exactly; that is very likely.

Mr. AYRES. Did you never do that in your trade at all?

Mr. JAFFRAY. No, sir.

Mr. AYRES. It seems very reasonable; they do that in most lines of business.

Mr. JAFFRAY. They may, sir, but I do not think we have ever done such a thing. I certainly do not recall such instance.

The CHAIRMAN. Let us get at the modus operandi. I believe you are primarily merchants?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. But sometimes you want cargoes to fill out your ships, and you solicit trade from other shippers?

Mr. JAFFRAY. Regularly, sir; not sometimes.

The CHAIRMAN. And you do not want to charge them a higher rate than the current rate, and you ascertain what the current rate is, and in doing that you refer to the rate sheets that were made by W. R. Grace & Co.; is not that it?

Mr. JAFFRAY. Not necessarily, sir; no, sir. If we refer to sheets in our office, it is made up from the information we can get from various directions.

The CHAIRMAN. As to what Grace & Co. are charging?

Mr. JAFFRAY. And the other lines, and the New York and South America Line.

The CHAIRMAN. That is the line of which Mr. J. W. Ryan is agent?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. Now, have you any contracts with large shippers, or with shippers, whether large or small?

Mr. JAFFRAY. Yes; we carry a good deal of freight from some companies that have very large interests there and make them rates for a period of time.

The CHAIRMAN. Are your special rates lower than the current rates?

Mr. JAFFRAY. In the cases that I speak of they consist of agreements to carry freight in large quantities, but the nature of the freight is not particularly made known to us beforehand. I can explain in this way: There have been a couple of cases of large mining interests that have been developed in Chile, where the shippers have told us that they would have large shipments to make of different kinds of materials, and extending over a considerable time, and have asked us to make a fixed rate of so much per ton for all their shipments, which we have done, but without the slightest consultation with anyone.

The CHAIRMAN. Now, do you give the same rate to the small shipper as you do to these large shippers?

Mr. JAFFRAY. In a case of that kind it might happen that some of the articles would be a class that would be shipped by a smaller shipper, possibly. For instance, the range would be a very wide one. It might include mining machinery, or fire brick, or small cars, or fuel oil—all sorts of things.

The CHAIRMAN. And you give all sorts of shippers of the same class of goods the same freight rate?

Mr. JAFFRAY. No. I say in this instance, sir, the same freight covering the whole bulk of merchandise would be without any regard to what any one of those particular articles of merchandise would be charged at if it came by itself to us.

The CHAIRMAN. You give an average rate?

Mr. JAFFRAY. For the whole thing.

The CHAIRMAN. Of all the articles?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. And the average might be lower on some one of the commodities in the class.

Mr. JAFFRAY. Oh, very likely, sir; I mean of the large quantity of freight.

The CHAIRMAN. On a given article, do you discriminate?

Mr. JAFFRAY. We endeavor to keep the same, sir, for that.

The CHAIRMAN. Send us a copy of those shipping contracts.

Mr. JAFFRAY. We have no contracts, sir. They are of a very informal character. One of them has run for several years, and I had occasion some time ago to try and find out how it started. I do not know myself. I think it may have been verbal. The only thing I have on file at the moment is a letter saying that on account of increased cost of tonnage we would have to raise the rate in the future, and that was done.

The CHAIRMAN. You have no written contracts with shippers?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Mr. Jaffray, you say that usually your rates are changed after you have received some kind of a notice that the Panama Railroad is going to change its rates?

Mr. JAFFRAY. I think generally; yes, sir. I think at the beginning of the recent very great rise in cost of tonnage, we made up our minds that we would have to increase rates, anyhow, and to the best of my recollection, however, before anything had been decided upon, the Panama Line also increased. I mean to imply, therefore, that it is not necessary to await the Panama Line's action.

Mr. STEPHENS. I understood you to say that really the Panama Railroad Co. was the base or the reason for changing rates?

Mr. JAFFRAY. Usually, I think it is, sir.

Mr. STEPHENS. Yes, sir.

Mr. JAFFRAY. I think it is, sir.

Mr. STEPHENS. After receiving a notice in some way that the Panama Railroad was to raise or lower its rates, you contemplated raising or lowering yours, as the case might be?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. And you did lower or raise them?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Do you know whether or not your competitors at that time raised or lowered theirs in the same way, and to the same amount, or not?

Mr. JAFFRAY. I suppose they did, sir; I do not remember the circumstances of each particular case, but they must have done so.

Mr. STEPHENS. How can you account for the fact, if it is a fact, and I assume from what has been heard here that it is, that the three of you made the same rate or the same lowering of rates?

Mr. JAFFRAY. I can only speak for myself, but I have already explained that.

Mr. STEPHENS. Was it done without consultation with anyone whatever?

Mr. JAFFRAY. I do not know, sir. I think very often it might be that in talking over the cost of tonnage or any change in the situation, we might have said, "The Panama Line is going to raise its rates."

Mr. STEPHENS. You do talk over these changes of rates?

Mr. JAFFRAY. From time to time. I do not have any hesitation in giving them any information.

Mr. STEPHENS. And do you not leave such "conversationies" with the belief your competitors and yourself are about to enjoy the same rate?

Mr. JAFFRAY. I do not mean to imply anything of that kind, sir, because they know they are free to act. As I have said before, sir, we have never discussed our attitude with respect to shippers. They know the goods that are being sent to our steamers should be and will be, so far as we can do so, charged at the rate that competitors are charging at the same time, so that we can not charge them more and we do not want to take less.

Mr. STEPHENS. Does not your company go upon the conclusion or assumption that if you make a rate practically the same or the same as that of Grace & Co. that you will have no trouble about rates?

Mr. JAFFRAY. Well, if we have the same freight rate there is no trouble, sir—I do not quite understand.

Mr. STEPHENS. Have you such an understanding as that—or any understanding?

Mr. JAFFRAY. No, sir. I do not so regard it.

Mr. STEPHENS. Would an understanding result in any different rates?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Just how? Explain how it would.

Mr. JAFFRAY. Because if it was an understanding we would feel under obligation to hold those rates.

Mr. STEPHENS. But the results would be the same?

Mr. JAFFRAY. The results would be the same.

Mr. STEPHENS. That was my question.

Mr. JAFFRAY. Yes; but the difference, I should say, to emphasize, is that because of an understanding we would be under obligation to hold these rates, while we do not so consider it under the circumstances that now exist.

Mr. AYRES. Mr. Jaffray, now, from the testimony that the committee has heard, it is practically admitted that in all the other lines of business from New York—that is, in the trade from New York to South Africa and to the east coast of South America and to Australia—all the steamship companies are in conferences. That is admitted by them, and it is generally admitted. It is the custom of the sea in all these trades. What is there peculiar, Mr. Jaffray, in the business to the west coast of South America which leads you not to have the custom, which leads you not to follow the custom of the other trades? Why is your trade different from others?

Mr. JAFFRAY. I can only answer for my own trade. We are quite independent; we have our own business. We can retire entirely from the freighting business if we wish to do so.

Mr. AYRES. That is true of other lines and other trades, too?

Mr. JAFFRAY. Oh, no, sir; I do not think so.

Mr. AYRES. That is the difference in your trade?

Mr. JAFFRAY. I think it is, sir, as I understand it. We have our own business that has been conducted, as I say, for 85 years. Our house is in Valparaiso. We have a very large merchandise business, and for a great many years, in the early history of our firm—in fact, I presume, for the majority of the years of its existence—it has done no freighting business at all, simply freighted its own merchandise, so that what we take from the market, as I say, is incidental to what we consider our own business.

Mr. WILSON. That condition does not apply to your two competing companies?

Mr. JAFFRAY. I think it does.

Mr. WILSON. Do they also conduct a mercantile business?

Mr. JAFFRAY. It certainly appears that as to W. R. Grace & Co., that their shipments are very large. In tonnage they do a larger business than we do. It appears to be the case also with the other lines; so far as I know it is the condition.

Mr. WILSON. The general shipping that they undertake incidental to their own business?

Mr. JAFFRAY. I think that is the case with all the lines; it certainly is with respect to that which my firm runs.

The CHAIRMAN. Do I understand you to say there has never been any agreement or understanding either in writing, express or im-

plied, between yourselves and these other lines with reference to rates in the trade to South America—the west coast of South America?

Mr. JAFFRAY. I do not recollect that question. I think a good many years ago—perhaps six or seven years ago—we were once asked if we would agree to hold to rates as they then existed and we said we would try it, and it lasted about a month and then went to pieces, and from that I think we have gradually drifted into the present position.

Mr. STEPHENS. Mr. Jaffray, you stated that the largest amount of your business is the carrying of your own goods?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Can you give the committee an idea of the percentage of your total shipping business that is done for outside shippers—to the west coast of South America, of course, I mean?

Mr. JAFFRAY. Well, I suppose an average steamer would carry 6,000 to 7,000 tons of cargo, perhaps, and I think there are often times when we have as much as two-thirds of that ourselves.

Mr. STEPHENS. Would you call that an average?

Mr. JAFFRAY. I have not the particulars at hand.

Mr. STEPHENS. It is only an estimate—I mean?

Mr. JAFFRAY. I would say—I think in a recent case the freight clerk reported to me on the steamer then sailing the outside freight had approximated 40 or 50 per cent of the cargo. That is only my recollection at the moment. It is something unusual, but I think as a general rule on an average we would probably have about two-thirds of the cargo ourselves.

Mr. STEPHENS. Would the revenue derived from such a shipment approximate the same average if you charged for your own?

Mr. JAFFRAY. Oh, yes; not far from it.

The CHAIRMAN. There is nothing further?

Mr. JAFFRAY. Mr. Chairman, may I state one point for the information of the committee? Certain references have been made to amounts and proportions of tonnage on the different lines. Our line is the only one of the three which goes direct from New York to west coast ports. One of the other lines calls frequently on the east coast, and the other one sends all its vessels via east coast port or ports. Therefore, any calculations as to tonnage or proportions should be made with this fact in view.

TESTIMONY OF MR. BOUVIER—Resumed.

The CHAIRMAN. Have you any different contracts with shippers?

Mr. BOUVIER. Well, no; but we have one pending freight engagement which might be called a contract.

The CHAIRMAN. What is that?

Mr. BOUVIER. With the United States Steel Co.

The CHAIRMAN. That is, to carry their products?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Is that the only one you have?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Is there any discrimination in rates between the large and small shippers over your lines?

Mr. BOUVIER. No.

The CHAIRMAN. They all have the same rates?

Mr. BOUVIER. Except this special contract.

The CHAIRMAN. That is, with the United States Steel Corporation?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Others all get the same rate?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Whether large or small?

Mr. BOUVIER. At the same time; yes.

The CHAIRMAN. They get the same rate?

Mr. BOUVIER. Yes, sir.

Mr. WILSON. About what percentage is the rate given under this contract less than to the average shipper?

Mr. HUMPHREY. Mr. Chairman, I do not know whether we ought to compel the witness to answer that question. I do not know that there is anything wrong about the contract for this, and if he objects—

The CHAIRMAN. He has not objected.

Mr. WILSON. Can we not get the fact? The committee can determine later whether there is anything wrong about it.

Mr. HUMPHREY. What I meant was this, Mr. Wilson: If the witness has special contracts, there is nothing wrong or nothing to prevent him giving a less rate if he wishes, and it might some way injure his business; and if that is so, unless it serves some good purpose, it appears to me that we ought not to compel him to answer.

Mr. WILSON. I do not know of anything under existing law that would prevent him from giving that, but the advisability of his continuing the existing rate might be considered by this committee.

Mr. HUMPHREY. I do not know whether there is any objection to it, but it struck me that if the witness would say that he thought it would injure his business we ought to consider it.

The CHAIRMAN. He has not urged any of those reasons.

Mr. BOUVIER. I have not said it, unless you desire—I will say it if you desire it.

Mr. HUMPHREY. If that is the only reason, I think you ought to answer it.

The CHAIRMAN. Different agents of different steamship companies have thought the law ought to forbid discrimination, as a matter of policy. I do not know of it being any offense under the law to discriminate now. We simply try to ascertain from them what they thought about the matter. Of course, if one cuts a rate another one will do so; if one favors one shipper, another is disposed to do the same thing; and they would all be glad to know that the custom is uniform between them. Go ahead and answer the question asked by Mr. Wilson.

Mr. BOUVIER. I will give you the rate, shall I?

By direction of the chairman the stenographer read as follows:

Mr. WILSON. About what percentage is the rates given under this contract less than to the average shipper?

Mr. BOUVIER. I think it is about 15 per cent.

The CHAIRMAN. I understand from you they furnish a certain amount of tonnage every year, a very large amount of tonnage?

Mr. BOUVIER. Well, any amount of tonnage—

The CHAIRMAN. Do you have any kind of a contract with them by which you have their business exclusively?

Mr. BOUVIER. We have no agreement.

The CHAIRMAN. You just give them the rate of 15 per cent less than the average rates?

Mr. BOUVIER. I think that is about the average.

The CHAIRMAN. Less than to shippers generally?

Mr. BOUVIER. Yes.

The CHAIRMAN. You do not bind them to ship any certain amount of tonnage over your line each year?

Mr. BOUVIER. No; but we can get all we want, that is the point, and when we want it.

The CHAIRMAN. They furnish all you can carry?

Mr. BOUVIER. Yes.

The CHAIRMAN. Did you say the contracts are in writing?

Mr. BOUVIER. The freight rates are in writing; yes.

The CHAIRMAN. The rates are in writing?

Mr. BOUVIER. Yes.

The CHAIRMAN. Is that all there is of the contract?

Mr. BOUVIER. That is all—our quotation to them, subject to change at any moment.

Mr. STEPHENS. Mr. Bouvier, what per cent of your business of shipping from New York to the west coast of South America is done for outsiders, on a general estimate?

Mr. BOUVIER. I think about 40 per cent.

The CHAIRMAN. There is nothing further.

TESTIMONY OF JOHN W. RYAN, AGENT NEW YORK AND SOUTH AMERICA LINE AND THE ISTHMIAN STEAMSHIP LINES, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name and residence.

Mr. RYAN. John W. Ryan, Brooklyn, N. Y.

The CHAIRMAN. What line are you agent for?

Mr. RYAN. New York and South America Line and the Isthmian Steamship Lines.

The CHAIRMAN. Lines?

Mr. RYAN. Lines on the Isthmian connection only.

The CHAIRMAN. New York and South America Steamship Lines! What lines are those? Is that just a trade name, "New York and South America Lines"?

Mr. RYAN. Yes; it is distinctly the New York and South America Line; the other line is the Isthmian Steamship Lines.

The CHAIRMAN. Is the New York and South America Steamship Line a corporation?

Mr. RYAN. No; it is a trade name to designate the service in which it is engaged.

The CHAIRMAN. Who are the members of the company?

Mr. RYAN. It is a branch of the export trade of the United States Steel Products Co.

The CHAIRMAN. A branch of the United States Steel Products Co.!

Mr. RYAN. Yes, sir.

The CHAIRMAN. That is the United States Steel Corporation?

Mr. RYAN. They are a subsidiary of the United States Steel Corporation.

The CHAIRMAN. They are engaged under that name in the export business to the west coast of South America?

Mr. RYAN. Yes. Also to the east coast, so far as the port of Bahia Blanca is concerned.

The CHAIRMAN. This line charters ships and does not own any ships, does it?

Mr. RYAN. The steamers are under time charter.

The CHAIRMAN. From whom are those steamers chartered?

Mr. RYAN. From Charles G. Dunn & Co., of Liverpool.

The CHAIRMAN. And they are foreign steamers under a foreign flag?

Mr. RYAN. Foreign steamers under British flag.

Mr. HUMPHREY. British flag?

Mr. RYAN. British flag principally. Occasionally Norwegian.

The CHAIRMAN. Now, what other companies than yours trade to the west coast of South America?

Mr. RYAN. Via the Straits, the line known as W. R. Grace & Co., and the West Coast Line, operated by Messrs. Wessel, Duval & Co., aside from the four lines operating via Panama, viz., Royal Mail Steam Packet Co., Hamburg American Line, The United Fruit Co., and the United States Government line, known as the Panama Railroad Steamship Co.

The CHAIRMAN. Has your company or firm now or in the last five or six years been a party to any agreement or agreements or understandings with either of these other steamship lines or companies or firms as regards either the freight or passenger traffic to or from the United States or to or from the west coast of South America?

Mr. RYAN. No, sir.

The CHAIRMAN. Have they in any capacity or in any form?

Mr. RYAN. Not to my knowledge.

The CHAIRMAN. You charge the same rates, do you not?

Mr. RYAN. As the other lines?

The CHAIRMAN. Well, the three different lines charge the same rates to South America?

Mr. RYAN. No; I would say we do not. In many instances they are decidedly different.

The CHAIRMAN. The United States Steel Corporation gets a less rate than anybody else, I presume, does it not?

Mr. RYAN. No, sir; they are charged the same rate as any other shipper of similar products.

The CHAIRMAN. You are their agent in that trade to the west coast of South America, are you not?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Did you make the arrangement with the Grace Company?

Mr. RYAN. No, sir; I did not make that arrangement.

The CHAIRMAN. You heard the statement of Mr. Bouvier that the United States Steel Products Co. get a differential of about 15 per cent on their shipments, did you not?

Mr. RYAN. I understood from that statement that such was the case. I had had a vague knowledge that there was an arrangement of some kind between the United States Steel Products Co. and W. R.

Grace & Co., a purely mercantile arrangement, as regards exchanging on certain quantities certain tonnages at this rate that Mr. Bouvier has referred to, but actual knowledge of that I have not really any details.

The CHAIRMAN. Do you transact any other business or transport any other freight to the west coast of South America by way of the Straits of Magellan than for the United States Steel Products Co.?

Mr. RYAN. Yes, sir; all that I can get of it.

The CHAIRMAN. When shippers ask you to quote freights, what do you quote as a basis of rates?

Mr. RYAN. I quote a rate that I think will bring the business. If I require the measurement cargo, I quote whatever seems necessary to bring the business. Sometimes I am higher and sometimes I am lower. In a great many cases I am not able to get the business at any rate.

The CHAIRMAN. But you are not in an agreement with them at all—you have no understanding with them, have you?

Mr. RYAN. No, sir.

The CHAIRMAN. No friendly arrangement with them?

Mr. RYAN. No; there is no arrangement.

The CHAIRMAN. You have no regular sailings to the west coast, have you?

Mr. RYAN. We have six steamers which make about 12 to 14 sailings each year.

The CHAIRMAN. How many sailings do you have from New York to the west coast of South America?

Mr. RYAN. About 12 to 14 a year.

The CHAIRMAN. What days of the month do your steamers go from the port of New York?

Mr. RYAN. That all depends on the time it takes to make the round voyage.

The CHAIRMAN. Do your dates conflict with those of W. R. Grace & Co.?

Mr. RYAN. Very much so.

The CHAIRMAN. Do you often have two steamers due at the same time in the month, loading at the same time?

Mr. RYAN. You mean the Grace Co. and ourselves, respectively?

The CHAIRMAN. Yes.

Mr. RYAN. Yes; and also Wessel, Duval & Co. Sometimes we are all on the berth at the same time.

The CHAIRMAN. So there is no arrangement between you by which the steamers shall sail at different times in the month?

Mr. RYAN. Absolutely none.

The CHAIRMAN. Is there any such arrangement with you on the westbound traffic?

Mr. RYAN. Absolutely none.

The CHAIRMAN. I believe you say you also trade to Bahia Blanca?

Mr. RYAN. Yes, sir.

The CHAIRMAN. How are the rates fixed to that port?

Mr. RYAN. They are practically governed by the market, fluctuating almost every week or so.

The CHAIRMAN. Do you conform to the conference line rates to Bahia Blanca?

Mr. RYAN. Positively not.

The CHAIRMAN. Do you know what the conference lines rates are?

Mr. RYAN. I have a fair knowledge of them; yes, sir.

The CHAIRMAN. Do you have a copy of them in your office?

Mr. RYAN. No, sir; I make memoranda from time to time and keep myself posted by making inquiry of shippers and brokers. There is no such thing as regular rates to this port.

The CHAIRMAN. Referring to your rates to Bahia Blanca, you sent us a schedule of your rates and we found that wherever the articles are the same that your rates from New York to Bahia Blanca are just $2\frac{1}{2}$ cents less than the Lamport & Holt rates per cubic foot.

Mr. RYAN. Yes; about \$1 per ton on measurement cargo—a pretty good reduction.

The CHAIRMAN. But the uniformity is what strikes us.

Mr. RYAN. We try to get the market rate, but there are a good many steamers for that port and the rates fluctuate so that if we get within $2\frac{1}{2}$ cents per cubic foot, or say, \$1 per ton, we think we are doing well.

The CHAIRMAN. You had a copy of their rates, did you not?

Mr. RYAN. Not a copy of their rates; no, sir. I have a general knowledge of their rates through shippers and brokers.

The CHAIRMAN. And your rates are just $2\frac{1}{2}$ cents less on the commodities where you quote a rate on the same commodity, are they not?

Mr. RYAN. In some instances, more or less. They appear to work out $2\frac{1}{2}$ cents less; however, some of those rates have changed since I gave you that list.

The CHAIRMAN. That is, you mean to say you have altered the rate?

Mr. RYAN. There are constant changes depending upon whether cargo is scarce or plentiful.

The CHAIRMAN. Of course the figures in red ink on this sheet were made by us after comparison with the Lamport & Holt rates. That is the way we discovered they were just $2\frac{1}{2}$ cents less, and it was a coincidence which would naturally attract the attention of the average man as to just how that happened, unless there was some understanding that you were to conform to the rate or make your rate a certain proportion less.

Mr. RYAN. It is nothing more than a coincidence.

The CHAIRMAN. Is there anything else?

Mr. AYRES. How large a percentage of the freight you carry is for your own company?

Mr. RYAN. That varies from 40 to 60 per cent.

Mr. AYRES. For your own company?

Mr. RYAN. For our own company, yes. I believe Mr. Bouvier mentioned that outside his line the others carried about 100,000 tons per year. Consulting my records I find that in 1910 our line carried about 60,000 tons; in 1911 about the same quantity, and in 1912 about 90,000 tons.

Mr. AYRES. The testimony of Mr. Jaffray and Mr. Bouvier as to the amount of freight shipped by their lines was about the same, that each one carried perhaps 60 per cent of their own goods and therefore of the trade between New York and the west coast of South America practically one-half of it, or a little more than one-

half, perhaps two-thirds, is controlled by your three big firms, is not that the fact?

Mr. RYAN. That seems correct.

Mr. AYRES. Then the trade on the west coast of South America is really in a little different condition from the trade in other lines?

Mr. RYAN. Yes.

Mr. AYRES. That is not true of the trade in the River Plata, is it, or to South America?

Mr. RYAN. That is on a totally different basis. It would seem from our respective positions that we are all more or less independent, having our own nucleus to trade on. In fact, I might mention to you that our line was established as a result of contracts with Chilean Government in the development of the Chilean state railways, providing for some hundreds of thousands of tons of freight, which had to be moved forward periodically.

Mr. AYRES. Did you not formerly ship down to the west coast of South America by the Barber Line?

Mr. RYAN. Barber & Co. were loading agents.

Mr. AYRES. Can you tell the committee how it happened that Barber & Co. left that trade on the west coast?

Mr. RYAN. It seemed to be a disagreement between the principals, the details of which I was not acquainted with. The line was developing and the business growing, and called for special attention. I had handled it and the United States Steel Products Co. required some one to give their undivided attention to it and I was appointed agent for the line.

Mr. AYRES. There was no agreement, then, between your firms and the Barber Co. that they should leave the coast entirely, was there?

Mr. RYAN. Absolutely none; in fact, they or anyone else could go into the trade at any time.

Mr. AYRES. May I ask how many ships you are chartering on time charters?

Mr. RYAN. There are six operating constantly, and we hope to increase the number if the trade warrants.

Mr. AYRES. You sail those under foreign flags, do you not?

Mr. RYAN. The owners of the ships are a British firm, and the ships are under the British flag.

The CHAIRMAN. I believe you said your company was a company and not a corporation, did you not?

Mr. RYAN. It is a branch of the United States Steel Products Co.; the New York & South America Line is a trade name.

Mr. HARDY. Who owns it; the United States Steel Products Co.?

Mr. RYAN. It is a shipping facility of the Steel Products Co.

Mr. HARDY. It is just a branch of theirs, which runs under this name, is it?

Mr. RYAN. Yes, sir.

Mr. HARDY. How do they get the British flag?

Mr. RYAN. The ships are owned by a British firm; the Products Co. charters them.

Mr. HARDY. I know; but do you not have to get a British incorporation to get the British flag?

Mr. RYAN. Not as charterers. The ships are owned by Charles G. Dunn & Co., of Liverpool, England.

Mr. HARDY. The owners of the ships are British, are they?

Mr. RYAN. Yes, sir.

Mr. AYRES. When the Panama Canal is opened, you are planning to use the canal, are you not, for that trade?

Mr. RYAN. We hope to, but so much depends on that question that we could not positively state at this time.

Mr. AYRES. How do you mean that so much depends on it?

Mr. RYAN. The question of operating.

Mr. AYRES. Do you mean the tolls?

Mr. RYAN. The tolls are an item. The maintenance of the ships under the American flag is, of course, more expensive than under the British flag.

Mr. AYRES. Do you mean the running of the ships?

Mr. RYAN. Yes, sir.

Mr. AYRES. But if the differential is \$1.20 a ton, you can put your ships, perhaps, under the American flag. I mean, if you got through to that South American trade free?

Mr. RYAN. That would largely bring it about.

Mr. AYRES. But you are considering that question, are you not?

Mr. RYAN. Yes; it is being considered and may materialize.

Mr. AYRES. I should like very much to ask Mr. Bouvier another question, if I may. Mr. Bouvier, I heard a rumor that your firm is building four or five ships now in American shipyards for use in the Panama Canal to that South American trade?

Mr. BOUVIER. No; not to South America. In the California trade, the coastwise trade.

Mr. AYRES. You are interested in it, are you not?

Mr. BOUVIER. Yes; we are building them for that trade.

Mr. STEPHENS. How many such ships are being built?

Mr. BOUVIER. Four.

Mr. STEPHENS. And what is the amount of tonnage?

Mr. BOUVIER. About 40,000 tons dead weight.

Mr. JAFFRAY. May I insert one item? Reference has been made as to the proportions of shipments and the amount of tonnage on the three lines. I should like it noted that ours is the only one of the three lines which goes directly to the west coast without stopping on the east coast, so any estimates made as to the number of steamers, or proportions of shipments, should have that in mind to reach the proper conclusion.

Mr. AYRES. You do not stop at Bahia Blanca, do you?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Mr. Ryan, I believe you say you are also agent for the Isthmian Steamship Line?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Is that a corporation?

Mr. RYAN. It is a trade name and is a facility of the Steel Products Co.

The CHAIRMAN. By the United States Steel Products Co.?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Does that line participate in any way in the pooling arrangement mentioned in the case of the United States against the American & Asiatic Steamship Co.?

Mr. RYAN. No, sir.

The CHAIRMAN. Have you any arrangement or agreement with any other line in reference to freight rates?

Mr. RYAN. No agreement of any kind.

The CHAIRMAN. Or sailings, or division of traffic, or in any other regard whatever?

Mr. RYAN. It is a special line of itself.

The CHAIRMAN. How are the rates fixed?

Mr. RYAN. The steamers are chartered for full cargoes.

The CHAIRMAN. Are the steamers chartered outright?

Mr. RYAN. They are chartered outright.

The CHAIRMAN. Are they time charters?

Mr. RYAN. No, sir; they are single-trip charters. They go off charter with the delivery or discharge of their cargo at destination.

The CHAIRMAN. What proportion of the freight carried by this line is the product of the United States Steel Corporation?

Mr. RYAN. The total cargo shipped is that of the United States Steel Products Co.—generally railway materials.

Mr. HARDY. Why is it more expensive to run these boats under the American flag, if they cost no more, than to run them under the English flag?

Mr. RYAN. Experience has shown it to be so. Under present legislation foreign ships can not be converted to our flag.

Mr. HARDY. I am not speaking about the legislation which will enable you to convert them, but if you had those ships why would it be any more expensive to run them under the American than under the British flag.

Mr. RYAN. Wages paid Americans in the merchant marine are higher than paid in foreign ships.

Mr. HARDY. Do you not get your crews in New York and at other points of the line?

Mr. RYAN. We get foreign seamen and foreign crews in New York; very few Americans.

Mr. HARDY. Could you not run your ship under the American flag with the same crew you do now?

Mr. RYAN. Partially.

Mr. RYAN. Why would they charge you any more if you were under an American flag?

Mr. RYAN. If you refer to the crews, it is all a question of wages.

Mr. HARDY. In what way would it be more expensive to run under the American flag?

Mr. RYAN. There are various phases of the question. I am a ship agent and not an owner. I am not fully acquainted with the various details.

Mr. HARDY. You made the statement, and I want to get an understanding of it.

Mr. RYAN. I made the statement based on what I have understood to be the experience of others.

Mr. HARDY. In other words, you took the statement of others as being correct, did you?

Mr. RYAN. Well, pretty much so; but I am making a study of it.

Mr. HARDY. I wish you would, and see why you can not run those ships over the same line, under the same crew, under the American flag.

Mr. RYAN. I hope there will be suitable legislation with a view to building up our foreign trade. Anything that can be done to facilitate the commerce of our country along economical lines should be done.

Mr. HARDY. To be frank, I do not think it would cost one cent more, except you would have to pay more for your ship, and a whole lot more, because we will not let British-built ships fly our flag.

TESTIMONY OF MR. BOUVIER—Continued.

Mr. AYRES. Referring to those cargo steamers you are having built for California trade, Mr. Bouvier, has not Grace & Co., previous to this, in other years, considered the subject of building boats in American shipyards?

Mr. BOUVIER. Yes.

Mr. AYRES. And you have, in former years, received quotations from American shipbuilders, have you not?

Mr. BOUVIER. Yes.

Mr. AYRES. You found the prices higher than across the ocean, did you not?

Mr. BOUVIER. Yes; very much.

Mr. AYRES. But comparing those prices you have received for cargo steamers in former years with the prices you are building these ships at, are these prices a reduction from the prices of former years? That is, can you build now cheaper than you could a few years ago?

Mr. BOUVIER. No, sir.

Mr. AYRES. About the same?

Mr. BOUVIER. No; we have had different prices at different times. The percentage has been 50 and 60 per cent higher; I think these are about 70 per cent higher.

Mr. AYRES. I mean, comparing the present American quotations with former American quotations, are the prices now a little less than some years ago?

Mr. BOUVIER. I think there is no difference. I think they are about the same.

Mr. WILSON. Do you know about what the relative difference is between American-built vessels and those built abroad as compared with previous offers?

Mr. BOUVIER. Just at the moment it is very much less, because the price of ships has gone up the last eight or nine months on the other side; but we are getting our new ships from the other side now—British ships—and will not duplicate the price, and the price at Philadelphia is about 70 per cent higher.

Mr. HARDY. Seventy per cent higher than those of the British?

Mr. BOUVIER. Yes.

Mr. STEPHENS. They were contracted for how recently?

Mr. BOUVIER. They were contracted for the 15th of August, but these ships contracted in England were contracted for a year ago. A year ago they would be very much higher.

Mr. STEPHENS. If you had a contract for a ship to be built, what would you think would be the difference between the price made you in Cramps and in British shipyards to-day?

Mr. BOUVIER. About 30 to 35 per cent to-day.

Mr. STEPHENS. As against 70 per cent a year ago, or something like that?

Mr. BOUVIER. Yes.

The CHAIRMAN. Do I understand you to say that it costs about 80 or 85 per cent more to build a ship at Cramps to-day than it does to build the ship abroad?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. In England?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. And about a year ago about 70 per cent more?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. The difference, then, is about one-half?

Mr. BOUVIER. Yes; just about.

The CHAIRMAN. But the price at Cramps has not materially decreased, has it?

Mr. BOUVIER. No, sir.

The CHAIRMAN. But the foreign price has increased?

Mr. BOUVIER. That is it, sir.

The CHAIRMAN. So the only hope is that after awhile the foreign price will increase until the two come together?

Mr. BOUVIER. Come together; yes.

The CHAIRMAN. Otherwise there is no chance of us building ships for the foreign trade, is there?

Mr. BOUVIER. No, sir.

The CHAIRMAN. If there is nothing further, we will adjourn until Tuesday morning, January 21, at 10.30 o'clock a. m.

TUESDAY, JANUARY 21, 1913.

The committee met at 11 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Burke, Stone, Humphrey, Post, Faison, and Stephens.

TESTIMONY OF ERNEST M. BULL, VICE PRESIDENT A. H. BULL STEAMSHIP CO., 10 BRIDGE STREET, NEW YORK.

The CHAIRMAN. Please give your name and address and business in which you are engaged to the stenographer.

Mr. BULL. Ernest M. Bull, vice president of the A. H. Bull Steamship Co., 10 Bridge Street, New York.

The CHAIRMAN. You are a son of A. H. Bull, the witness who appeared here a few days ago?

Mr. BULL. Yes, sir.

The CHAIRMAN. Tell the committee what your duties are as vice president of that company.

Mr. BULL. I have had charge of a line that we are running to Stockton Springs, Me., where we connect with the Bangor & Aristook Railroad, and have had more or less to do with the traffic, the getting of freight, and making arrangements for freight and charters in all our business.

The CHAIRMAN. As I understand, your line is engaged in the coasting trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Not only to Stockton Springs, Me., but also to Porto Rico?

Mr. BULL. Yes, sir.

The CHAIRMAN. And are you also engaged in the trade to other points on the south coast?

Mr. BULL. Yes, sir. We have five steamers that are doing a "tramping" business, as they call it—taking full cargoes and not package freight or parts of cargo from different people, but chartering right out to one shipper to load the steamer to its entire capacity.

The CHAIRMAN. What ports do those steamers run to?

Mr. BULL. The tramp steamers run to practically all the ports where they can secure the best business.

The CHAIRMAN. You mean all the ports on the Atlantic seaboard?

Mr. BULL. Yes, sir.

The CHAIRMAN. Do any of them run to the northern ports?

Mr. BULL. Yes, sir.

The CHAIRMAN. Name the different ports.

Mr. BULL. During the last year we have taken cargo to and from the Gulf ports—Boca Grand, Port Tampa, New Orleans, Galveston, Texas City, and Key West.

The CHAIRMAN. What ports on the Atlantic seaboard?

Mr. BULL. Mayport, Georgetown, and Stockton Springs, and we take cargo into Baltimore, Carteret, N. J., and Weymouth, Mass., and Philadelphia.

The CHAIRMAN. Referring to your steamers doing a tramp business—you call them "tramp steamers"—tell the committee if you have any difficulty in securing berths for your steamers to these various ports to which you have referred.

Mr. BULL. The tramp steamers, as a rule, will take cargo from a railroad terminal and take it right to a man's factory or to his lumber yard, if it is lumber, or if it is phosphate rock from Tampa or Boca Grand it goes right to the factories. There is no trouble in getting berths for that kind of freight. Almost all of that freight is carried on local rates to the port, and there is no through rates, with the exception that I believe the Philadelphia & Reading Railroad make a through rate from its lines on hard coal to Boston. With that exception I do not know of any other rate on bulk cargoes, as far as phosphate rock or coal or anything of that kind is concerned. I do not know why they have not done it; they could do it and tie it up just like they have the packet freight business if they set about to do it, and I think at Philadelphia the hard coal carrying is pretty well confined to the barges belonging to the Philadelphia & Reading Coal Co.

The CHAIRMAN. What has been your experience, in the operation of your steamers, with reference to packet freight?

Mr. BULL. Well, as to packet freight along the coast it is almost impossible to get any. A man has no chance before he commences. The only way we have been able to get into this business in Maine was that the Bangor & Aroostook is the only independent railroad in New England; that is, outside of the big systems—the Grand Trunk or the New Haven interests. There is a paper company there that was having difficulty about getting its paper to New York in

such quantities and with delivery as promptly as they wanted, and after trying schooners they decided that they would try steamers. and we made a contract with them to carry the output of their mills into New York.

There was sufficient tonnage in this contract to keep us going—not much profit in it, or not any profit; that is, if we could not get anything else, but it looked to us as if it was a good chance. There were large quantities of potatoes raised in Aroostook County, and every winter there is a shortage of cars, so that if we could get the proper rates down to the port we could offer something better than the merchants and shippers of potatoes had. We had no agreement with the railroad whatever, but went ahead and built a ship after we had this contract, especially for this business. Then, after it was pretty nearly completed I saw the railroad people and they put in local rates on their road to Stockton Springs, or Cape Jellison as they call the terminal where we land, and we started to do business up there. Maybe I can show you here [referring to map]. Cape Jellison is at the mouth of the Penobscot River. Stockton Harbor is an excellent harbor, with good water, though it has been improved, I think, in the last year by considerable dredging that the Government did, and the road runs up to the Canadian border. From Portland to Northern Maine Junction, where the Bangor & Aroostook Railroad connects with the Maine Central, 134 miles. There is territory right around the northern part of Maine of which we will say Bangor is a center. Northern Maine Junction is 5 miles from Bangor. That has considerable business both east and west from New York. The local rates that the Bangor & Aroostook put in when we started to points on their road enabled us to reach practically all their territory at a differential rate. The way the business was moving before we went in there was to Portland and then by rail from Portland to Northern Maine Junction and then up the Bangor & Aroostook road. We saved these 134 miles. To be exact, we are 28 miles from Northern Maine Junction, so that was about 106 miles saving in the rail haul, and of course after you get your cargo loaded on a steamer the expense of taking it into Stockton was no more than taking it into Portland. We thought that we should have a lower rate than the rate via Portland to all this territory that was no greater distance from Portland than it was to Cape Jellison, Stockton Harbor.

As I have already said, the Bangor & Aroostook put in rates that were all right. They would not put in through rates, but they gave us a local rate that enabled us to make our rates up to the seaport point, and in that way to carry a differential rate to all their points. We did not try to get into the Maine Central district at once, for the simple reason we wanted to demonstrate we were there and were there to stay, and were not there just to sell out as most of the other companies who have gone into New England have done, to the New Haven interests. We went in there to build up a business, and we ran there for over a year, to make our trips. On March 7, 1912, we wrote Mr. Hobbs, who was vice president of the Maine Central Railroad, as follows:

MARCH 7, 1912

MR. GEORGE S. HOBBS,
Maine Central Railroad, Portland, Me.

DEAR SIR: As you probably know, we have been running a line of steamers between New York and Stockton for something over a year. We have ex-

changed some freight with your road by using your local tariffs from Stockton. These tariffs, however, do not permit us to reach very many of your stations.

The geographical location of Stockton makes it the natural seaport outlet for all points in Maine that are at least no greater distance from Stockton than they are from Portland. This is especially true in reference to points north and east of Northern Maine Junction. Still, your tariffs to and from Stockton show higher rates than the tariffs to these same points to and from Portland.

We have had a number of inquiries lately for freight rates, and we are writing you to ascertain if you would be willing to either enter into some traffic arrangement whereby we could issue through bills of lading to and from stations on your line, as outlined above; or would you be willing to make local rates to and from Stockton that would enable the freight to take its most natural route?

Hoping this matter may receive your favorable consideration, we remain,
Yours, truly,

ERNEST M. BULL, *Vice President.*

I have this reply:

PORTLAND, ME., March 9, 1912.

E. M. BULL,
*Vice President A. H. Bull Steamship Co.,
10 Bridge Street, New York, N. Y.*

DEAR SIR: I have your favor of the 7th instant in regard to interchange traffic for points on our road, via Stockton Harbor, east and north of Northern Maine Junction.

In response to your query will advise that I do not see how we can consistently make any rates to and from the territory named via Stockton Harbor at less than the local rates named now in force.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

This correspondence has been carried on, and there have been four letters, at different times up to October 22, which is the date of the last letter we have from him, and still maintaining the position that he would not do anything.

Mr. HARDY. I would like you to read all those letters, if there is no objection by anyone else.

Mr. BULL. Shall I read all of them?

Mr. HARDY. Yes.

Mr. BULL. After that I allowed the matter to rest, and we filed some tariffs with the commission, and I have this letter from Mr. Hobbs of October 8, 1912:

PORTLAND, ME., October 8, 1912.

ERNEST M. BULL,
*Vice President A. H. Bull Steamship Co.,
10 Bridge Street, New York, N. Y.*

DEAR SIR: With reference to the matter of freight traffic moving through Stockton Harbor in both directions to and from stations on the Maine Central Railroad:

Will you please advise me if your freight tariffs are now published with the Interstate Commerce Commission, in order that we may know whether we can properly issue bills of lading on shipments routed from our stations via your line.

We would like this information, with copies of tariffs, at an early date, in order to know just what instructions to issue to our agents on this subject.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

In reply to that letter I wrote as follows on October 14, 1912:

OCTOBER 14, 1912.

Mr. GEO. S. HOBBS,

Second Vice President Maine Central Railroad Co., Portland, Me.

DEAR SIR: Your favor of October 8 received. Inclosed please find copies of tariffs that we have filed with the Interstate Commerce Commission.

In reference to the interchange of business with your company, we beg to call your attention again to our letter to you of March 7. I can not help but feel that the rates to and from points on your line are most unfair in trying to force business through Portland which, from Stockton Springs' geographical location, would naturally pass through that port. Your letter makes me hope that possibly you see the injustice of this situation and perhaps are now willing to make more equitable rates to and from points no greater distance from Stockton than they are from Portland.

Yours, truly,

ERNEST M. BULL,
Vice President.

We received no answer to that, but he wrote us again on October 18, 1912, asking for copies of some other tariffs that we had filed with the commission. We answered that letter on October 21, 1912, as follows:

OCTOBER 21, 1912.

Mr. G. S. HOBBS,

Second Vice President,

Maine Central Railroad Traffic Department, Portland, Me.

DEAR SIR: Your favor October 18, file 45, reference I. C. C., Nos. 1 and 3, received. No. 1 is an index number, and No. 3 is the official classification which we were obliged to file in order to use same until the next classification is published. The tariffs we have already sent you complete all I. C. C. tariffs.

We are rather disappointed not to have anything from you in reference to change of your tariffs between points on your road and Stockton Harbor. We have repeatedly called your attention to the fact that many rates from Portland that are anywhere from a mile to 100 miles nearer Stockton Springs are lower than they are from the latter point. In all fairness some adjustment of this situation should be made, and we had hoped when hearing from you previously that it showed an inclination to adjust these unfair and discriminatory rates. We are therefore disappointed to have your letter without your touching on this subject at all.

Will you kindly advise us what your attitude is in reference to these rates and oblige,

Yours, truly,

ERNEST M. BULL, *Vice President.*

On October 22, 1912, we had this reply:

PORTLAND, ME., October 22, 1912.

E. M. BULL,

Vice President A. H. Bull Steamship Co.,

10 Bridge Street, New York, N. Y.

DEAR SIR: Referring to your favor of the 21st instant, will ask if it is your proposition to make the same through-freight rates between points in the State of Maine and New York City via Stockton Harbor as are currently in effect via Portland and Boston on the same commodities.

Upon receipt of your reply, the matter referred to in your letter will be given further consideration.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

Our next letter was October 25, 1912, to which we have had no reply. It is as follows:

OCTOBER 25, 1912.

Mr. GEO. S. HOBBS,

Second Vice President Maine Central Railroad, Portland, Me.

DEAR SIR: Your favor October 22 received. To make all the rates via your line the same as the current rates now in effect in the State of Maine would be to acknowledge that there was no advantage in water transportation and that

the geographical position of Cape Jellison is of no advantage to the neighboring territory.

We do not expect rates to points nearer Portland than they are to Cape Jellison to be as low as via Cape Jellison as they are via Portland, nor do we believe that rates via Portland should be as low to points adjacent to Cape Jellison as they are via the latter port. In other words, certain sections of northern Maine are entitled to the advantages of water transportation through the excellent harbor and terminal facilities of Stockton Harbor.

In addition to this fact, the services via Stockton Springs are only weekly as against the more frequent sailings through Boston and Portland.

However, our main reason for a differential rate from certain points is that the traffic through Cape Jellison follows the most economical course, and when you can avoid 100 miles of rail haul, the public is entitled surely to at least some of the saving from the more economical water route.

Yours, truly,

ERNEST M. BULL, *Vice President.*

We have no reply to that. I also wrote to the Canadian Pacific Co., as they connected with the Bangor & Aroostook Railroad at Brownville Junction, as follows:

NEW YORK, August 24, 1912.

MR. W. M. KIRKPATRICK,

Vice President, Assistant Freight Traffic Manager,

Canadian Pacific Railroad, Montreal, Canada.

DEAR SIR: Probably you know we are running steamship service between New York and Stockton Springs, Me., where we connect with the Bangor & Aroostook Railroad.

We have had a number of inquiries for rates to your short line points in Maine, also St. John, St. Stephen, Milltown, Woodstock, Fredericton. On account of the geographical location of Stockton Springs, the most economical way to ship this business would be through that point via Brownville Junction. However, at the present time the rates in effect from that point being materially higher than from Portland, in most instances, prevents us from handling any of this business.

Would your company be willing to join with us in making through rates to the points mentioned, and any other that we might mutually find advantageous?

We believe that on account of the longer water haul from New York, that we could afford to establish a differential rate via Stockton Springs, but if this is objectionable to you, would you be willing to join us in establishing the present through rates to the points above mentioned.

We are sending a copy of this letter to Mr. Wicke, general freight agent of the Bangor & Aroostook Railroad, asking if he would be willing to join in these rates, if your company consents to them.

Yours, truly,

ERNEST M. BULL, *Vice President.*

In reply to that we received the following letter:

MONTREAL, August 29, 1912.

E. M. BULL, Esq.,

Vice President A. H. Bull Steamship Co., New York, N. Y.

DEAR SIR: Referring to your letter of August 24, regarding rates to points on our line in Maine and New Brunswick via Stockton Springs and Brownville Junction.

I have given this matter consideration, but at the present time can not see our way clear to join in through rates via the route in question.

Yours, truly,

W. M. KIRKPATRICK,
Assistant Freight Traffic Manager.

The letters above incorporated into the record were marked "Exhibit No. 56" and filed with the committee.

Mr. BULL. Just to illustrate that, I jotted down here one or two rates. For example, the rates from Portland to Lincoln, Me., which is about 50 miles north of Bangor, on the six classes are 33 cents, 28 cents, 23 cents, 18 cents, 14 cents, and 11 cents.

To arrive at the rate from Cape Jellison or Stockton Harbor we have to add the local tariff to Northern Maine Junction and then use a Maine Central local tariff from Northern Maine Junction to Lincoln. Adding those two together makes the rates on the different classes 39 cents—

Mr. HARDY. That is, from Portland to where?

Mr. BULL. From Portland to Lincoln, Me. Lincoln is north of Bangor about 50 miles or 60 miles. I will just draw a line around Stockton Springs [marking on map]. Lincoln is up there, Stockton Harbor is here, and Portland, you see, is away down here.

Mr. HARDY. Now, go over your illustration again.

Mr. BULL. I will make the comparisons of the different classes. From Portland to Lincoln first-class freight is 33 cents. From Stockton Harbor to Lincoln it is 39 cents; on second-class freight—

The CHAIRMAN. That would be 6 cents less from Portland to Lincoln than from Stockton Harbor to Lincoln?

Mr. BULL. Yes, sir.

The CHAIRMAN. The distance is how much greater?

Mr. BULL. The distance from Portland is 106 miles, and there is this from Cape Jellison—

The CHAIRMAN. To Stockton Harbor?

Mr. BULL. To Stockton Harbor; yes.

Mr. HUMPHREY. That is, you charge higher on the shorter haul?

Mr. BULL. Higher on the shorter haul; yes, sir. On second class the rate from Portland to Lincoln is 28 cents; from Cape Jellison it is 32 cents.

The CHAIRMAN. I would suggest that you be uniform; you mean Stockton Harbor?

Mr. BULL. Yes; the particular dock we land at is called Cape Jellison. I am afraid I do use one term for the other.

The CHAIRMAN. Now, repeat that from Portland to Lincoln.

Mr. BULL. From Portland to Lincoln the second-class freight is 28 cents. From Stockton Harbor to Lincoln the second-class freight is 32 cents.

Mr. HUMPHREY. Is Lincoln a common transfer point?

Mr. BULL. No, sir; it is just a point taken at random. I could take Eastport or any place up there, and you would see the same difference in the rates.

Mr. HUMPHREY. The object being what? To throw the trade to Portland?

Mr. BULL. Yes; so the Maine Central gets a longer haul.

The CHAIRMAN. They want to throw it to Portland because they own the line to Portland?

Mr. BULL. Yes, sir. We are the only independent line that is running into New England from New York, as far as I know.

Mr. HARDY. The Bangor & Aroostook Railroad gave you fair rates?

Mr. BULL. They gave us fair local rates; that is, they made their rates locally so we could do business.

Mr. HARDY. How far toward Lincoln, for instance, does that road go—

The CHAIRMAN (interposing). Is there any steamship line running from Portland to New York?

Mr. BULL. Yes, sir; the Maine Steamship Co., which is part of the Eastern Steamship Co. now.

The CHAIRMAN. What railroad does that belong to now?

Mr. BULL. I suppose that as the Eastern Steamship Co. has taken over the Metropolitan Line the New Haven road is largely interested in it.

Mr. HARDY. That is, the New York, New Haven & Hartford?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is this about the genealogy of that concern—what company is that?

Dr. HUEBNER. That has been taken over by the Eastern Steamship Corporation.

Mr. BULL. Yes, sir.

Dr. HUEBNER. And a large amount of the stock in the Eastern Steamship Corporation is owned by the New England Navigation Co.

Mr. BULL. I believe so.

Dr. HUEBNER. And all the stock of the New England Navigation Co. is owned by the New Haven Railroad?

Mr. BULL. I believe so.

The CHAIRMAN. So that it belongs to the Hartford and New Haven Railroad?

Mr. BULL. Yes, sir; that is my belief.

Mr. THAYER. Is there any railroad commission in Maine?

Mr. BULL. I believe that a railroad commission has just been appointed, but I am not certain about that.

Mr. THAYER. You do not know whether you could apply to them—

Mr. BULL. All these rates that I am speaking of are under I. C. C. numbers. You may think I should take them then to the Interstate Commerce Commission. Well, the trouble with that is this. While the last session of Congress, I understand, did pass a law in which they gave the power to the commission to name through rates, even though one of the connecting lines was a water carrier, as far as I could see, if the railroads fought it it would be carried up to the Commerce Court and we might get a decision any time in the next two or three years.

I have thought that the Maine Central, on account of the congestion and the lack of cars at certain times of the year, would find out we were really a help to them, and we would be a help to them, and we would be a help to their merchants. If they can sell their seed potatoes in Maine and get the money and get it quick—they only want seed potatoes at certain times of the year, and after that time has gone there is no use for them. I thought they would come around to see that if we simply minded our own business and worked along with what we had they would come around to that point of view, because there are other considerations in it. There is a paper mill in Madison that we could probably have gotten some business from to New York. There is a rate from Madison to Portland of 7 cents where the paper is destined for points beyond Portland; say, for example, into New York. The distance from Madison to Portland is 99 miles. The distance from Madison to Northern Maine Junction is 80 miles. This paper mill asked the Maine Central Railroad if they would put in the same rate up to Northern Maine Junc-

tion as they did into Cortland of 7 cents a hundred pounds. They would not do it. They put in a rate of 9 cents a hundred pounds. Then the rate from Northern Maine Junction to Stockton Harbor was 2 cents a hundred pounds.

Mr. HARDY. How far is it from Northern Maine Junction to Stockton Harbor?

Mr. BULL. One hundred and eight miles.

Mr. HARDY. One hundred and eight miles as against—

Mr. BULL. As against 99. It makes the difference of an 11-cent rate as against a 7-cent rate. If they had made the through rate 9 cents we could have done business on the 9-cent rate. We could have shrunk our proportion and had enough to make a very good thing of it at that. Cars are coming up from the South. There is more trade coming out of the northern part of Maine than goes in. They could have taken those cars and had them up in the northern part of the State to take lumber and potatoes and things like that out. And I believed that sooner or later they would see that, and I believed that if we could get them around peaceably it was better than trying to force an issue.

Mr. HARDY. Are the Maine Central and the Boston & Maine the same road?

Mr. BULL. The Maine Central, the Boston & Maine, and the New York, New Haven & Hartford are all under one control, as I understand. The Boston & Maine runs up to Portland, and then, I think, they cover the southern part of Maine. The Maine Central starts at Portland and runs up the northern and eastern part of the State.

Mr. HARDY. They are all under the same management?

Mr. BULL. When you come right down to it, it all winds up in the New York, New Haven & Hartford, as I understand it.

Mr. THAYER. Is this New England Navigation Co. a steamship line which J. Pierpont Morgan separated from the Morse combination in 1907?

Mr. BULL. Yes; I think Morse had the Metropolitan Line. The New England Navigation Co. now has it. You see, this general proposition of prorating with the railroad makes it possible for a railroad at any port to absolutely throw their business the way they want it. You take, for instance, at Jacksonville or any of the southern ports. Suppose a man said, "There is a pretty good business down there. People have made some complaints, and they have asked me to go in." Well, he would go in there, and beyond local business, the port-to-port business, he could not compete.

The older company that had the prorating arrangements with the railroad could cut the local business just as low as they pleased. On any business that was beyond the port they would maintain their rates, because almost in every case—I think probably Texas is the only State where everybody gets the same rate from the port—but in almost every case there is enough difference between the local rates to and from the port and the through rate so that the local line that had no prorating arrangement would simply get the loading and discharging expenses for his freight. If he got that he would be lucky, in some cases.

If that is permissible, there would be no way of stopping them from applying it to lumber, which the schooners carry now and some steamers and independents carry. They could apply it to coal;

they could apply it to any commodity that they thought fit, and just as soon as they have a favored connection it makes no difference whether the line is owned by the railroad or whether it is a connection, with these privileges; there is absolutely no difference. In fact, I think railroad lines are just as well, because you know where to find them, and if it is a favored connection you do not know where it is.

Mr. WILSON of Pennsylvania. Do I understand from your statement that in the ports of all States except Texas, when a prorating arrangement is made, that every steamship line is not permitted to participate in that prorating arrangement?

Mr. BULL. Yes, sir; that is true. Here is a case where they refused to do it, and it is so in everything. You take the Clyde Line—any of these lines—and they have their prorating arrangements; and, for example, supposing we wanted to take—

The CHAIRMAN. At what other ports have you tried to get prorating privileges and have been refused? Name the ports and name the railroads.

Mr. BULL. In 1907, just to get this information, without any idea that I could do it—I knew I could not—I do not recall the names or I do not recall who they are—but there was a concern that was using a great deal of pig iron in Port Chester, I think it was, and I asked them if I reduced the rate of 25 cents if they could load an entire steamer. They were buying their pig iron in Birmingham, Ala. I wrote the Southern Railway, if I remember rightly, and asked them what their rates on pig iron would be from Birmingham to Norfolk. They replied that the rate was \$3.25—the rate through—

Mr. HUMPHREY. That means a ton?

Mr. BULL. A ton; yes, sir.

The CHAIRMAN. To Norfolk in what State?

Mr. BULL. From Birmingham to Norfolk, Va. The through rate from Birmingham to New York was \$4.25, I think, at that time. That left a dollar for the loading and discharging of the pig iron at Norfolk. That was hardly margin enough to carry pig iron, because each car has to be kept separate, and it is not a very fast cargo to handle. At any rate, you could not make any saving on the through rate. I was not able to find out how that \$4.25 was divided between the Southern Railway and the existing line between Norfolk and New York. My idea is that the Southern Railway got \$2.50 to \$2.65 and left \$1.60 to \$1.75 to the Old Dominion Line. If I could have gotten \$1.60 or \$1.75 or less out of the through rate for my haul I would have been glad to have taken it for \$1.50 or \$1.40 at that time and made good money on it and saved the consumer the difference.

The CHAIRMAN. How is that?

Mr. BULL. I say if I could have gotten—if they would have carried it to Norfolk at the same rate they carried it to Norfolk on their prorating arrangement, say, from \$2.50 to \$2.60—there is no way I know of by which you could get that information; it is not published, at any rate—that would have left \$1.60 or \$1.75. We could have carried it for \$1.50 or possibly \$1.40 and have made money on it.

The CHAIRMAN. From Norfolk to New York?

Mr. BULL. From Norfolk to New York. That would have saved the man who was buying the pig iron 25 to 30 cents a ton. I simply

give this as an illustration, not that the Old Dominion Line is any particular offender. It is the system, it has been the practice, and there has been nothing against it.

The CHAIRMAN. To what railroad does the Old Dominion Line belong?

Mr. BULL. I do not know. I think there are six railroads that are interested in that line. I do not know what their names are, but I understand that all the railroads that run into Norfolk—five or six of them—are interested in that line.

The CHAIRMAN. It is not an independent line?

Mr. BULL. No, sir.

The CHAIRMAN. Did you ask the Southern Railroad to give you the same rates from Norfolk to New York that was given the Old Dominion Line?

Mr. BULL. Yes, sir; and at that time it was perfectly legal and perfectly right that it should, because I wrote in reference to it. In 1907—the laws have been changed somewhat since then—I wrote to the Interstate Commerce Commission and asked them if that was so, and they said yes, that it was, that they had the right; that there was nothing to stop them from doing that.

The CHAIRMAN. Did they give you the same rate that they gave the Old Dominion?

Mr. BULL. No; they had the right to give me the local rate and not the prorating arrangement. At that time, in 1907, they did have the right. On this last law there has been no decision rendered in any case of which I know, but I think the law would have covered. I believe on freight that is to be water borne from any port every line, every steamship company, should have the same rates as any other line, with no discrimination by prorating or other arrangement. They call it prorating; they do not call it discrimination, but it is.

The CHAIRMAN. Manifestly, if they would not give you the same rate from Norfolk to New York they give to the Old Dominion Line, that would be discrimination.

Mr. BULL. Take last year, or the year before last, in these potato movements to the southeastern territory we did not have through rates with them; with any of the lines. We made application to the water lines out of New York and could not get any satisfaction. Finally the Old Dominion Line stepped in and helped us out, and they put in rates with us into the southeast. Then after that, although previous to that the Clyde Line had said they did not care to put any rates in with us; but we had to make the rates the same as the regular rates via the New York, New Haven & Hartford Road, or through any other source. If we shrunk our proportion, for example, up to New York, they got the benefit of that. We could not give that back to the shippers.

The CHAIRMAN. That is, the water rate had to be the same as the rail rate?

Mr. BULL. No; the connecting lines got the difference; they would not let us in on the same proportionate rate up to New York that they would via the New York, New Haven & Hartford, or other roads.

Mr. HARDY. You spoke of that as giving you the same rate from Norfolk to New York as they gave the Old Dominion Line; rather that would be giving you the same rate from Birmingham to Norfolk that they gave the Old Dominion Line, would it not?

Mr. BULL. Yes, sir; or give us the same through rate.

Mr. HARDY. In other words, they charge you no more from Birmingham to Norfolk than they charge the other roads in their rate without differential?

Mr. BULL. They say not, because if we ship locally they charge the local rate, but you see they get around it by making a prorate and dividing the rate; so really nobody knows what that division is.

Mr. HARDY. The prorating with the Old Dominion Line would be the same, taking it from Birmingham to Norfolk, \$2.50 a ton?

Mr. BULL. Yes.

Mr. HARDY. And the Old Dominion Line gets the balance of the through rate?

Mr. BULL. Yes, sir.

Mr. HARDY. While with you they would leave you a less amount?

Mr. BULL. They charge the local rate up to Norfolk, for example, of \$3.25.

Mr. HARDY. And then leave you less than \$1 for your haul?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is it your opinion, then, that the law should provide that the railroads should file with the Interstate Commerce Commission its local rate, for instance, from Birmingham to Norfolk, and its through rate from Birmingham to Norfolk, and that rate should be open to all steamship companies trading to that point?

Mr. BULL. Yes, sir; with the proviso that the company that is going to handle the freight from their connecting road has some responsibility. I think it is only fair to protect the shipper to that extent.

Mr. HARDY. Would not the real solution of it and the only solution of it ultimately be to prescribe that the rates from Birmingham, for instance, to Norfolk should be an absolute rate and never varied from in combination with any railway—I mean with any ship line?

Mr. BULL. That is a traffic matter.

Mr. HARDY. In other words, to stop the prorating?

Mr. BULL. That is a traffic matter that I do not know. Your idea is to make the rates up to Norfolk, for example, or up to any tide-water point, absolutely the same?

Mr. HARDY. Yes; to have no prorating by which the local rates will vary.

Mr. WILSON. I did not quite understand that potato shipment. Do I understand the prorating in that instance with the Dominion and the New Haven concerns was an all-rail shipping arrangement or was it—

Mr. BULL. (interposing). It is a rail and water shipping arrangement. Practically all the potatoes that move from Maine into the Southeast, many of them go through Boston and then by the Merchants & Miners, or the Savannah Line, or the Clyde Line into the southeastern territory—that is, right down to Georgia, North Carolina, and South Carolina, through that district.

Mr. WILSON of Pennsylvania. They are carried by water to those ports, to the southeastern ports?

Mr. BULL. Yes; to Savannah, Jacksonville, Charleston, and different places. We want to bring them into New York and then ship them by the same lines on account of the haul from the Bangor and Aroostook points into Cape Jellisen or into Stockton

Harbor, being shorter they can get their cars back quicker and avoid the shortage of cars that almost invariably takes place in wintertime up there; they can turn their cars around just that much faster. The Clyde Line refused absolutely at first to take any part of it. They have two associations in New York, one of which I do not know the name of, it is an association composed of the regular lines in which they discuss freight matters.

I know that in this case when we made applications for through rates it had to be presented to this meeting three times; after that any line that insisted on making through rates with us had the privilege of doing so. The Old Dominion Line made the through rate. They forced a pretty good bargain, as far as the division of rate was concerned, because they were the only ones who would make it with us; so we had to allow them 12 cents, and I did on the understanding that I did not have to do the same thing with the other roads or the other steamship companies. Well, that went along all right for a year; then when we got through rates with the Old Dominion Line, the Clyde Line, and the Savannah Line, seeing there were some movements coming that way, agreed to let us in by way of their lines, and I made an arrangement with them at 14 cents—a little better division than I had by the Old Dominion Line, because I was in the territory then and 12 cents was pretty close. Well, evidently they compared notes at the end of the first year, and the Clyde Line and the Savannah Line found I was only paying the Old Dominion Line 12 cents, so they hauled off and would not pay me any more than 12 cents. Then, through a mix-up, the way the tariff was formed—through a concurrence the Bangor & Aroostook Road had given to the Old Dominion Line, which had been withdrawn—the rates by the Old Dominion Line at present are withdrawn, and it is a question if the Bangor & Aroostook does not give that concurrence back, whether we will have any rates into the Southeast; but I hope that matter will be straightened out.

The CHAIRMAN. Have any other roads discriminated against you in the matter of terminals or rates?

Mr. BULL. No; because we have not put ourselves in a position that they could. It is pretty expensive, you know, to get a boat into a port with general freight on and find out you can not do business, and you had better not try it.

The CHAIRMAN. Explain to the committee why that is true. You say it is expensive; they can not afford to make the experiment?

Mr. BULL. Why, take Jacksonville, for example. Jacksonville takes a lot of freight, and there is a lot of freight passes in both directions through Jacksonville. There is a certain amount of freight that goes locally to that port. There is a lot of it that passes through there that never stops at all. If we should start a line to Jacksonville without a prorating arrangement with the railroads the Clyde Line could cut the local rate all to pieces.

Mr. HUMPHREY. What do you mean by "cut the local rates all to pieces"?

Mr. BULL. Business going to Atlanta would move on a through rate. Fruit from southern Florida would move on a through rate, and on account of the prorating arrangement the existing steamship line has through Jacksonville we could not secure any part of this business, as the sum of any rate we could make to or from Jackson-

ville, plus the inland local rate, would be higher than the through rate. Therefore, the existing line could make a profit on the through business and cut the port-to-port business so as to make it unprofitable.

Mr. HUMPHREY. But would you have to pay that prorating?

Mr. BULL. We would have to pay the local rates in order to get that business, and they could go on with the cut in the port-to-port business indefinitely until they would kill any new line.

Mr. HARDY. In other words, your through rate being \$100 on a certain commodity—a certain quantity of it—if you had to pay \$75 of that to the local roads to carry it to the ultimate destination it would leave you only \$25, while they might be getting \$50?

Mr. BULL. Yes, sir.

Mr. HARDY. And at the same time reducing the through rate below what you could give?

Mr. BULL. Yes, sir; that is just exactly the point, and they get \$50 and better, too.

Mr. HARDY. They would give a through rate on that piece of freight for \$100?

Mr. BULL. Yes, sir.

Mr. HARDY. And they would get \$50 out of it?

Mr. BULL. Yes, sir.

Mr. HARDY. You might have to charge \$125 in order to get anything out of it?

Mr. BULL. Yes, sir.

The CHAIRMAN. And from Jacksonville to New York, from the local freight, they could cut that until you could not live?

Mr. BULL. Yes, sir; that is exactly it.

The CHAIRMAN. Because they have the benefit of the through rate?

Mr. BULL. Yes, sir. You see, they would be making money on their through business right straight along, and on their local business they would simply meet competition.

The CHAIRMAN. The railroads at these several points where these lines are running in affiliation with railroads will not let you in so that you can compete with them on other business?

Mr. BULL. They will not let anybody in except their regular connections.

The CHAIRMAN. In this instance from Jacksonville, it is the Clyde Line?

Mr. BULL. Yes, sir.

The CHAIRMAN. And that is a railroad-owned line?

Mr. BULL. I do not know who owns the Clyde Line. It is in the combination of the Atlantic, Gulf & West Indies Steamship Co. It is hard to tell who it belongs to.

The CHAIRMAN. You have stated that they reduced the rate to let you in on the same basis. You are testifying now from your experience in the business?

Mr. BULL. Yes, sir. Of course, I have never made direct application to the roads running into Jacksonville, but where I have not made it I have seen it, and everybody else knows it is true; there is no question about it.

Mr. HARDY. You have run up against it in one place, and that deters you from running up against it in others?

Mr. BULL. Yes, sir.

Mr. HARDY. You said that the Texas situation was different. Have you ever tried to go into Galveston?

Mr. BULL. No, sir; we never have.

Mr. HARDY. I think you will find that the Texas laws contemplate a different situation, but they probably find that as to these through rates they are bound by the interstate legislation and can not effect the result that you think of.

Mr. BULL. I do not know. I had an idea—I am not familiar with that situation—that the rates out of Galveston to Texas common points were the same as based on through rates, but whether based on the local rate I do not know.

Mr. HARDY. I think you are mistaken about that.

Mr. BULL. I may be; I never studied the tariffs particularly.

Mr. HARDY. For the reason that the State commission has no control over the through rate from New York via Galveston into interior points. They can not control it. My understanding is they have the same wall to run against there.

Mr. BULL. Of course, there have been lines—you see, the Texas City Steamship Co. went into Texas City—

Mr. HARDY. What is that?

Mr. BULL. The Texas City Co.; the Mallory Line bought them out—that is, part of the Atlantic, Gulf & West Indies Steamship Co.

Mr. HARDY. They bought them out?

Mr. BULL. Yes; the Southern Steamship Co. run a line to Key West, Tampa, and New Orleans, and Clyde Line bought them out. They are under Clyde Line domination now—that is, all part of the Atlantic, Gulf & West Indies Steamship Co. Most of the lines have gotten in. I think the Texas City got in by making a contract with the Steel Corporation, just like we made a contract with the paper company to take so much freight at the certain rate, irrespective of the competition, and if you can get anybody to make a contract you can give the regular lines a "pretty good run for their money" before they cut you out.

Mr. HARDY. While the contract lasts?

Mr. BULL. Yes, sir.

Mr. AYRES. Did you ever have any difficulty getting terminal facilities or dockage facilities at Jacksonville, Savannah, and so on?

Mr. BULL. We do not go into very many Atlantic ports. We carry coal into Mayport for some of the railroads or for local consumption, and the coal men usually have their own terminal facilities; and at Florida points, Bocagrande and Port Tampa, we carry phosphate rock from there and coal down. The coal goes to the railroad largely, and the facilities for handling phosphate rock are excellent, and that has not been brought under any prorating arrangement, so you take your turn as you arrive.

Mr. HARDY. I am just a little puzzled to know why they do not adopt the same methods with regard to cargo freight as they have with reference to package freight, and drive you out completely.

Mr. BULL. I believe when the other is sewed up tight enough that that will be the next step. I think I am right. It is already so as far as Philadelphia in hard coal is concerned into Boston.

Mr. HARDY. The only amazement you have is at their moderation!

Mr. BULL. Sir?

Mr. HARDY. You are only astonished at their moderation? [No response.]

Mr. AYRES. Mr. Bull, the other day we had some testimony from your father which led us to believe that as to the package freight it would be impossible, perhaps, not only to get a prorating arrangement as you suggest, but to get opportunity to handle it at all.

Mr. BULL. My personal belief is that there are more ways of "killing a cat than drowning it," and if anybody tried to force an issue that you would have a good deal of difficulty in finding the cars which belonged to you when your steamer got there, and there are lots of things that can happen, you know. Suppose a car out in the freight yard, or four or five cars, were lost and were mixed up. I believe that would be so if you forced the issue.

Mr. AYRES. But you have never had any practical experience?

Mr. BULL. No; we have never tried that.

The CHAIRMAN. Is there anything else?

Mr. HARDY. It would be very easy for them to lose the cars and not have cars to take your cargo, and everything of that sort, would it not?

Mr. BULL. Yes, sir.

The CHAIRMAN. And you could easily tell where the fault was?

Mr. BULL. I would not want to try it on a forced issue.

The CHAIRMAN. Have you any other correspondence you care to submit?

Mr. BULL. No; I do not know whether you care for this [indicating certain documents]. It dates back to 1907 and is simply correspondence with the Interstate Commerce Commission at that time. I do not know if it is of any value to you or not.

The CHAIRMAN. I hardly think so. Is there anything else?

Mr. HARDY. You were giving us the classification awhile ago, but did not carry that out. Right on that point, I would like to have you complete the comparison for all the rates of freight.

Mr. BULL. I have just taken the six classes.

Mr. HARDY. Six classes. I would like to have them all in. You have first 33, or a difference of 6 cents.

Mr. BULL. You have third class from Portland, which is 23 cents.

Stockton Harbor, 26; fourth class from Portland to Lincoln, 18; Stockton Harbor, 21; fifth class from Portland to Lincoln, 14 cents; from Stockton to Lincoln 17; sixth class from Portland to Lincoln, 11 cents; from Stockton Harbor, 13 cents.

I should say that in addition to these rates the northern part of the State has a great many commodity rates which are very much lower than any of these rates, and we would have to apply the class rates according to this, as there are now no commodity rates from Stockton at all to any of the Maine Central points, except on cement to some points and to a few others on fertilizer. Some fertilizer factories are at Stockton Harbor and in order to get the haul of these factories they put them in.

Would you care for another comparison, Eastport, for example?

Mr. HARDY. I would like to have two or three of those comparisons.

Mr. BULL. The rate from Portland to Eastport is 27 cents; from Stockton Harbor to Eastport is 39 cents, first class; second class from Portland to Eastport is 22 cents, from Stockton Harbor is 32 cents; third class from Portland to Eastport is 18 cents; from Stockton

Harbor it is 26 cents; fourth class is 14 cents from Portland to Eastport and 21 cents from Stockton Harbor; fifth class from Portland to Eastport is 11 cents; Stockton Harbor to Eastport is 6 cents; sixth class, Portland to Eastport is 9 cents and from Stockton Harbor to Eastport is 13 cents.

Mr. STEVENS. What are the restrictive differences?

Mr. BULL. In all these distances there is 106 miles difference in each one of these places, because all this freight passes through Northern Maine Junction, which is 28 miles from Stockton Harbor, and from Portland to Northern Maine Junction is 134 miles; so that makes 106 miles from any of the places north of Bangor in favor of Stockton Harbor.

Mr. HUMPHREY. Do you know of any reason other than their desire to arbitrarily discriminate, why the rate is less for the shorter haul—are there any physical reasons?

Mr. BULL. No, sir.

Mr. HUMPHREY. Any business reasons?

Mr. BULL. No, sir; I can not see any good reasons. I have not been able from the letters that we put in here to ascertain, as they do not offer any reason. I tried to find a reason.

Mr. HUMPHREY. There are no heavy grades or anything of that character that would make them desire to take the longer haul?

Mr. BULL. You see, if you will look at that map [referring to map], with the exception of 28 miles, the haul is practically the same; all this business comes through. There [indicating] is Northern Maine Junction; all this business passes through Northern Maine Junction, and from there up it passes over exactly the same route, whether it originates at Portland or Stockton Harbor.

Mr. WILSON of Pennsylvania. Between Portland and this junction point are there greater or less grades than the grades between the junction points and Stockton?

Mr. BULL. I think Stockton is an easier haul by a great deal; hardly any grades at all.

Mr. WILSON of Pennsylvania. Does it follow the river?

Mr. BULL. It is just in sight of the river; just a little back from the river.

Mr. WILSON of Pennsylvania. Does it follow the valley down?

Mr. BULL. Yes; they go around a high hill here [indicating], but it is practically level. They carry, I think, 35 or 40 loads of coal cars going up there in a train. I do not know exactly what it is, but it is a good road and a good, easy haul.

Mr. HUMPHREY. I want to make it clear and get it in the record. Which distance is the more economical, the longer or the shorter route?

Mr. BULL. You see, this road has only been built six years from Northern Maine Junction to Stockton Harbor, and I think you have a very much heavier grade on the old roads up to Northern Maine Junction than you have on the other. The new road is a good, modern road.

Mr. HARDY. In other words, the physical advantages are in favor of Stockton?

Mr. BULL. I should say so, decidedly.

The CHAIRMAN. If they were to give Stockton the same proportion of rates the chances are it would build up quite a town and port there, would it not?

Mr. BULL. Yes, sir.

The CHAIRMAN. So that, perhaps, Portland has something to do with it?

Mr. BULL. I want to say, as far as the Bangor & Aroostook road is concerned, they do not give anybody any preference. Anybody else can come in and get the same rates we are getting. We have no cinch at all. So that if it should happen that they would give these rates, anybody else would be free to get them just as much as we are.

Mr. HARDY. If that were so all along the coast, then commerce would seek the lines of least resistance?

Mr. BULL. Yes, sir; and the natural way, where it could be most economically handled.

Mr. HARDY. And the result would be the people would get their commodities at a less rate?

Mr. BULL. Undoubtedly.

Mr. HARDY. There would be much less waste and no unnecessary transportation?

Mr. BULL. The supply and demand would regulate that; I think you would then get real regulation by supply and demand; at the present time you do not.

Mr. HARDY. It would not be carried a hundred miles out of the way where there was no inducement to carry it that way?

Mr. BULL. No, sir. Not only that, but if a man has a through rate on lumber, or some commodity, or naval stores, for example, say into Jacksonville, and moving on a through rate, and the Clyde Line is congested, they can not carry all their freight; they can hold that freight right there. The man may want it, but he can not put it in in another boat and take it, even if it is his freight, because he would have to pay the local rate into Jacksonville. So they can hold that and load this boat and hold that until the next boat comes along. I think that transportation would be improved.

They would have to, because they would be up against it, and competition and the best service would win out.

Mr. HARDY. Naturally, it would be an improvement of the transportation of freight if the freight moves over a comparatively shorter line?

Mr. BULL. Yes, sir.

Mr. HARDY. There would be that possibility of congestion?

Mr. BULL. Yes, sir.

The CHAIRMAN. If there is nothing further, we will now take a recess until 2 o'clock. Mr. Bull may be excused.

Thereupon, at 12.11 o'clock p. m., the committee stood adjourned until 10 o'clock to-morrow, January 22, 1913.

WEDNESDAY, JANUARY 22, 1913.

The committee met at 10.40 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Ayres, Post, Stone, Thayer, Hardy, Barnhart, and Faison.

**TESTIMONY OF MR. CHRISTIAN J. BECK, FREIGHT TRAFFIC MAN-
AGER OF THE HAMBURG-AMERICAN LINE, NEW YORK CITY.**

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name, address, and business connections to the committee, please.

Mr. BECK. Christian J. Beck, New York, freight traffic manager of the Hamburg-American Line.

The CHAIRMAN. State whether or not you are in charge of the Atlas service of the Hamburg-American Line.

Mr. BECK. I am at present in charge of all the freight service of the Hamburg-American Line operating to and from the United States, but have been in that capacity only for the last two months, prior to which time I was in charge of what is known as our Atlas service, which conducts various lines between New York, the West Indies, Caribbean ports, and Central America, including the west coast of Mexico, South and Central America.

The CHAIRMAN. We wish to take up the services of the Atlas Line one by one; first, the service to Cuba. You have a service to Cuba?

Mr. BECK. We have a service to and from Santiago, Cuba. That is the only Cuban port we serve.

The CHAIRMAN. Did you have other services to Cuba recently?

Mr. BECK. We had for about one year to other Cuban ports—namely, Havana, Cienfuegos, and Manzanillo. The service was discontinued in September, 1911.

The CHAIRMAN. Is there any other line operating to Santiago?

Mr. BECK. Yes. The New York & Cuba Mail Steamship Co., known as the Ward Line, operates there.

The CHAIRMAN. Is that a regular service of the Ward Line?

Mr. BECK. Yes; they have a regular service.

The CHAIRMAN. And yours is—

Mr. BECK. Ours is a regular weekly service.

The CHAIRMAN. And your line and the Ward Line are the only lines that operate from New York to Santiago?

Mr. BECK. To my knowledge we are the only lines.

The CHAIRMAN. What line or lines operate to other points in Cuba?

Mr. BECK. From New York the Ward Line operates to Habana, Cienfuegos, and Manzanillo.

The CHAIRMAN. What other lines?

Mr. BECK. No other lines from New York. There are lines from the Gulf, from New Orleans and Mobile; with which, however, I am not very familiar.

The CHAIRMAN. Does the Royal Mail Steam Packet Co. operate a line or lines from New York to points in Cuba?

Mr. BECK. They operate only to one port—Antilla, on the north.

The CHAIRMAN. Now tell the committee, please, if your company has within, say, the last three or four years been a party to any agreement or agreements or any understandings with any of these steamship lines mentioned as regards either the freight or passenger traffic to or from the United States to the points mentioned in Cuba.

Mr. BECK. At the time we were operating to Habana, Cienfuegos, and Manzanillo we had a tacit but unwritten understanding with the

Ward Line on freight rates. At the present time we operate independently. We do not consult each other in regard to rates; we fix the rates according to our own judgment of what they should be, but we aim not to underquote one another.

The CHAIRMAN. The rates are the same, are they not, to Santiago by your line and by the Ward Line?

Mr. BECK. Well, it would operate in this way: If the Ward Line fixes a rate on a certain commodity they will probably tell us of it, or we will learn of it in the market, and we will adjust our rates accordingly.

The CHAIRMAN. The result of this is that you have the same rate on commodities from New York to Santiago and from Santiago to New York?

Mr. BECK. That would be the eventual result, although at times one or the other might be underquoting the other, not having full knowledge of what the other was doing.

The CHAIRMAN. That is, if there was a lack of frankness on the part of one toward the other, that might occur?

Mr. BECK. That lack of frankness exists. We do not work in the harmony with the Ward Line that we do with some of the other lines.

The CHAIRMAN. What service does the Ward Line give between New York and Santiago?

Mr. BECK. Their service is not as regular as ours. I believe they average about one steamer in 10 days.

The CHAIRMAN. Yours, I believe you said, was once a week?

Mr. BECK. Our service is once a week?

The CHAIRMAN. Now, is there any understanding or agreement between your line and the Ward Line with reference to the service; that is, that you shall give a weekly service and that theirs shall be at other intervals?

Mr. BECK. No, sir; there is no such understanding.

The CHAIRMAN. When you withdrew from the service to Habana and the other points you have mentioned, was that by agreement between your line and the Cuban Mail or any other line that is in that service now?

Mr. BECK. No; it was not. We withdrew because we found the trade did not pay. We did not have the right steamers at the time to conduct that trade profitably, and after experiment we found we could not live in it with the steamers we had, and could not conveniently obtain such steamers as would suit the trade, and therefore concluded to withdraw.

The CHAIRMAN. There was no consideration for your withdrawing at the time?

Mr. BECK. None whatever.

The CHAIRMAN. Pecuniary or otherwise?

Mr. BECK. Absolutely none.

The CHAIRMAN. Simply as a business proposition, it did not pay?

Mr. BECK. Exactly.

The CHAIRMAN. And you are operating with the same steamers now, are you, to Santiago?

Mr. BECK. No; we are not. Our Santiago service is in connection with our Jamaica, Colon, and Port Limon service. We make Santiago a port of call on what we call our lines A and B. In other words, we combine Santiago with our other business, whereas the

service that we have previously been discussing was purely a Cuban service.

The CHAIRMAN. The service you abandoned?

Mr. BECK. Yes.

The CHAIRMAN. But you call at Santiago weekly?

Mr. BECK. Yes, sir.

The CHAIRMAN. And what proportion of the service or traffic to Santiago do you control?

Mr. BECK. I have no figures at my command, but I believe at present, owing to our regular service, approximately, 60 per cent of the business.

The CHAIRMAN. And the Ward Line the balance?

Mr. BECK. Yes, sir.

The CHAIRMAN. What line did you say runs to the north coast of Cuba?

Mr. BECK. The Royal Mail Steam Packet Co. and the Munson Line serve the north coast. The Royal Mail serves only one port, Antilla. They combine Antilla with their itinerary in the same way we combine Santiago with ours.

The CHAIRMAN. The ports at which they call are connected with Habana by rail, are they not?

Mr. BECK. Yes, sir.

The CHAIRMAN. Is there any understanding or agreement between your company and the Royal Mail or the Munson Line that if they will keep out of Santiago you will keep out of these other ports?

Mr. BECK. No; there is no understanding existing between any of the companies you name and ourselves.

The CHAIRMAN. That division of the territory is purely a matter of selection by the companies, uninfluenced by any agreement between them?

Mr. BECK. That is right.

The CHAIRMAN. Or understanding?

Mr. BECK. That is correct.

The CHAIRMAN. Now, when was that tacit understanding or agreement between your line and the other lines operating to Habana from New York discontinued?

Mr. BECK. At the time of the discontinuance of our service.

The CHAIRMAN. And when was that?

Mr. BECK. As nearly as I can remember it, in September, 1911.

The CHAIRMAN. What were the terms of that understanding under which you operated at that time?

Mr. BECK. We had no hard-and-fast agreement, but it was tacitly understood between us that we would not cut each other's rates. At that time another service was in the field, the American and Cuban Line, and they were cutting rates very severely to obtain business, and the Ward Line and we were following them, but were supposed to consult with each other on rates before making any changes. The agreement did not work out very well, because all three lines were fighting for business. There was not enough business to go around, and good faith was not kept on the part of any of the lines.

The CHAIRMAN. At that time the American was operating from New York?

Mr. BECK. From New York, and still is. May I be allowed to correct my testimony, as I had forgotten the American & Cuban Line,

which operates to all Cuban ports from New York as business offers.

The CHAIRMAN. You say it does operate from New York to all Cuban ports?

Mr. BECK. Yes; to all Cuban ports as business offers.

The CHAIRMAN. Does it operate from Boston also?

Mr. BECK. Not to my knowledge.

The CHAIRMAN. You have no service from Boston to Cuba?

Mr. BECK. No, sir.

The CHAIRMAN. As I understand from your statement, you have no understanding or agreement of any nature whatever with any of these lines mentioned, or any other line with reference to the trade with Cuba, either passenger or freight.

Mr. BECK. I can not speak for the passenger end, because that is not within my jurisdiction; but as far as freight is concerned we have no agreements on Cuban business.

The CHAIRMAN. I understand you operate to the ports of Haiti.

Mr. BECK. We do.

The CHAIRMAN. Is it the line to Santiago which continues the service to Haiti, or is that an independent line?

Mr. BECK. The Santiago lines are what we call our lines A and B, which operate to Santiago; Kingston, Jamaica; Colon, and Port Limon, Costa Rica. Our Haiti line or lines operate to Haiti and Colombia.

Our Haiti lines operate to Haiti and Colombia, sometimes calling at Jamaica on the homeward voyage for bananas.

The CHAIRMAN. What other lines operate to Haiti and Colombia?

Mr. BECK. The Royal Dutch West India Mail operates to Haiti.

The CHAIRMAN. Any other line?

Mr. BECK. The Seeborg Line from Mobile.

The CHAIRMAN. You may state whether your company, within three years past, say, has been a party to any agreement or agreements or any understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States to Haiti.

Mr. BECK. We have an agreement with the Royal Dutch West India Mail, and I have brought a copy of that agreement with me.

The CHAIRMAN. Is it still in force?

Mr. BECK. No; it expired on December 31, 1912, notice of cancellation having been given in June of that year.

The CHAIRMAN. Please hand it to the stenographer to be identified.

The paper so produced was marked "Exhibit No. 57," and is as follows:

EXHIBIT No. 57.

Agreement made in Europe between Hamburg-American Line (Atlas Service) and Koninklijke West-Indische Maatschappij.

1. *The trade from New York to Haiti.*—The ports of Gonaïves, Miragoane, Port de Paix, and Haiti are reserved for the Hamburg-American Line (Atlas Service). The ports of St. Marc, Aux Cayes, Aquin, and Jacmel are reserved for the Koninklijke West-Indische Maatschappij.

The ports of Port au Prince, Petit Goave, and Jeremie may be served jointly by the Hamburg-American Line (Atlas Service) and Koninklijke West-Indische Maatschappij.

2. *The trade from Haiti to New York.*—The ports of Cape Haiti and Port de Paix are reserved for the Hamburg-American Line (Atlas Service). The ports of Jacmel, Aux Cayes, Aquin, and St. Marc are reserved for the Koninklijke West-Indische Maatschappij. The ports of Port au Prince, Petit Goave, Miragoane, Gonaïves, and Jeremie may be served by both the Hamburg-American Line (Atlas Service) and the Koninklijke West-Indische Maatschappij.

3. On cargo from or to Europe, either direct or via New York, each line retains the entire through freight. On cargo to New York from Port au Prince and Petit Goave and on cargo to and from all other Haitian ports each line retains the entire freight.

4. Each line reserves for itself 40 per cent of its net freight, including primeage, but excluding tonnage and lighterage dues from New York to Port au Prince and Petit Goave, whilst the remaining 60 per cent are to be placed into a pool and divided in the proportion of 76.75 per cent to the Hamburg-American Line (Atlas Service) and 23.25 per cent to the Koninklijke West-Indische Maatschappij.

Should either of the parties fail to supply their minimum number of sailings in any year, as hereinafter mentioned, to the pooled ports, then such party's share in the pool earnings shall be proportionately reduced for the benefit of the other party.

A settlement of the pool freight shall be made half yearly.

The above proportions of the pool are based upon:

(a) A minimum of 26 sailings each year for the Hamburg-American Line (Atlas Service) and 26 sailings each year for the Koninklijke West-Indische Maatschappij.

(b) The actual earnings of the two lines from New York to Port au Prince and Petit Goave during the years 1907, 1908, and 1909.

They remain in force for the settlement of all sailings up to December 31, 1910, after which date a new division of the pool will be fixed for the year 1911, based upon the actual earnings of the years 1908, 1909, and 1910. Each following year the proportions of the pool will be revised in the same way—based upon the earnings of the last preceding three years from New York to Port au Prince and Petit Goave.

5. It is understood that the same rates of freight shall be maintained between Haiti and New York by both lines to all ports; both lines to maintain the same through rates between Haiti and Europe, either for shipments via New York or for direct shipments from Haiti.

6. The parties bind themselves and their agents to maintain the tariffs as may be agreed upon from time to time, and not to make any reduction in these rates, either directly or indirectly, by giving commission or reduction in the lighterage and [or] port dues or any form of return or any advantage to the shippers and [or] consignees with a view of influencing freight toward their line.

The commission to be paid their agents to be uniform.

7. No reduction will be granted from regular passage rates excepting to consuls or other officials connected with the American or foreign diplomatic service, for whom an optional 25 per cent discount may be granted; and to diplomatic ministers or other high Government officials, for whom a rate may be arranged at the discretion of the respective lines.

8. No concessions are to be granted to shippers; but each line is free to make special rates for passage to its own agents and to the chief officials of connecting transportation lines.

9. All disputes or differences arising between the parties as to any matter under this agreement shall be referred to three persons residing in the city of New York, not being lawyers, one of whom shall be chosen by each of the parties hereto, and the third, who shall in all respects be entirely disinterested as between the parties and their said appointees, by the two thus chosen. The decision of such arbitrators to be binding upon the parties, provided that the same be rendered in writing under their hands and seals within 10 days after final submission to them of the matters in controversy. All matters in controversy pending at any one time shall be submitted to such arbitration together.

10. This agreement shall date from January 1, 1910, and is to remain in effect until December 31, 1910. This agreement, with corrections in pool percentages as provided by clause 4, renews itself automatically and indefinitely for one-year periods, unless notice to terminate it is given by either party on or before July 1 of the then existing pool year. Should, however, the Hamburg-American

Line (Atlas Service) at any time withdraw from the Santa Marta-New York fruit trade they reserve the right, in respect to the trade from New York to Haiti, to call at St. Marc, Aux Cayes, Aquin, and Jacmel; and in respect to the trade from Haiti to New York to call at any or all ports south of Gonaïves. Agreement signed in Europe November 11, 1909.

Mr. BECK. At the present time we have no agreement with the Royal Dutch West India Mail, or, in fact, with anyone, in the Haiti trade; but we are both observing the same rates and conditions.

The CHAIRMAN. And according to the terms of the agreement, as far as that is concerned?

Mr. BECK. As far as freight rates and conditions in the freight traffic are concerned, the same rates and conditions govern both lines.

The CHAIRMAN. Do you meet in conference?

Mr. BECK. No; we have no regular conference, except that if a matter came up we would telephone one another and consult with one another.

The CHAIRMAN. As occasion requires, you would meet and arrange any matter between you?

Mr. BECK. Yes, sir.

The CHAIRMAN. As to the traffic or any other matter connected with your business?

Mr. BECK. Yes, sir.

The CHAIRMAN. I neglected to ask you if you have any conference with reference to the Cuban trade with the representatives of the Ward Line?

Mr. BECK. No; we have not.

The CHAIRMAN. What service do you give from New York to Haiti?

Mr. BECK. We have a weekly service to Haiti.

The CHAIRMAN. And what service does the Royal Dutch Mail give?

Mr. BECK. A fortnightly service.

The CHAIRMAN. Do you operate to Santo Domingan ports?

Mr. BECK. We do not.

The CHAIRMAN. Have you any understanding or agreement, whether in writing or otherwise, with the Clyde Steamship Line by the terms of which your steamers are not to call at Santo Domingan ports?

Mr. BECK. No, sir.

The CHAIRMAN. Has there been any, say, within the last five years?

Mr. BECK. Not to my knowledge. My connection with the Atlas service dates back about three and one-half years, and during that time I know positively there has been no understanding of any kind with the Santo Domingan lines.

Mr. HARDY. You have never gone into that business during that time?

Mr. BECK. No, sir.

Mr. HARDY. There has been no occasion, then, for an understanding?

Mr. BECK. That is the situation.

The CHAIRMAN. Do you say no such agreement exists, or that you simply have no knowledge of it?

Mr. BECK. I say that during the time I have been connected with the Atlas service, which is three and a half years, no such under-

standing has existed; and, to the best of my knowledge, no understanding has ever existed.

The CHAIRMAN. You also have a line to Jamaica?

Mr. BECK. Yes; we have a weekly service to Jamaica.

The CHAIRMAN. What other lines operate to Jamaican ports?

Mr. BECK. From New York, the Royal Mail Steam Packet Co. and the United Fruit Co.

The CHAIRMAN. How often do you enter ports of Jamaica? How many ports are there?

Mr. BECK. Well, we make now only one port of call—Kingston. Until recently we also called at Montego Bay, from which port we distributed our cargo to what is known as the out-ports of Jamaica. small unimportant ports which do not justify a direct service. But in the hurricane of November last year the facilities for distributing the cargo from Montego Bay were destroyed, and we are now serving the Jamaica out-ports with a direct steamer, sailing fortnightly, and delivering its cargo at each port.

The CHAIRMAN. That is from New York?

Mr. BECK. From New York.

The CHAIRMAN. I believe you say the United Fruit Co. also has a line to Jamaica. Do their steamers go direct to Kingston?

Mr. BECK. The United Fruit Co. has two steamers per week direct to Kingston, and they also have an irregular service to Jamaica out ports.

The CHAIRMAN. What other company did you mention?

Mr. BECK. The Royal Mail Steam Packet Co.

The CHAIRMAN. Yes. Do they have a regular service from New York to Kingston?

Mr. BECK. They have a fortnightly service from New York to Kingston.

The CHAIRMAN. You may state whether or not your company is a party to any agreement or agreements or understandings with either one of these steamship lines as regards the freight or passenger traffic to or from the United States to any of the ports in Jamaica.

Mr. BECK. We have an agreement with the Royal Mail Steam Packet Co., a copy of which I have brought with me. These documents comprise the original agreement, which I understand was made in Europe, and amplifications of it arranged in New York, to govern the freight and passenger departments, reespectively.

The CHAIRMAN. Let the stenographer identify it.

The papers so produced by the witness were marked "Exhibits Nos. 58, 59, and 60," and are as follows:

EXHIBIT No. 58.

THE ROYAL MAIL STEAM PACKET CO.,

No. 18 MOORGATE STREET.

London, August 29, 1910.

EMIL L. BOAS, Esq.,

Director Hamburg-America Linie,

The Carlton Hotel, Pall Mall SW.

DEAR SIR: We beg to confirm the arrangement arrived at with your good self to-day that the freight agreement for working the States/West Indies sphere, mutually operated by our respective companies, is to be continued for another year definitely from the date of its expiry on 31st instant, on the understanding that our share shall be 25 per cent in place of 22½ per cent as at present.

It is understood that you will have power to take passengers between New York and Colon by each of your weekly departures.

The existing passenger agreement which is to run concurrently with the agreement is to be modified by mutual arrangement to meet existing competition, failing which, the agreement as regards freight shall terminate at the end of six months.

Unless notice be given by either party six months before the expiry of the year for which this arrangement is made it shall continue for a further six months, and shall thereafter be subject to six months' notice from either side.

We shall be happy to have your esteemed confirmation.

We are, dear, sir,

Yours, faithfully,

ALFRED S. WILLIAMS, *Manager*.

Agreed to for the Hamburg-Amerika Linie.

E. L. BOAS.

THE ROYAL MAIL STEAM PACKET CO.,
18 MOORGATE STREET,
London E.C., August 29, 1910.

EMIL BOAS, Esq.,

*Director Hamburg-American Line,
Carlton Hotel, Pall Mall SW.*

DEAR SIR: Supplementary to our letter of this date, we are quite in agreement with you that the exchange of voluminous manifests now carried on might be dispensed with, summaries being substituted in a form to be mutually agreed between our respective representatives in New York; it being, of course, understood that each party shall have full right of access to the other's manifests for inspection, if desired.

Yours, faithfully,

Head of Traffic Department.

P. S.—We advise our New York agents accordingly.

MEMORANDUM OF AGREEMENT ENTERED INTO THIS 21ST DAY OF FEBRUARY, 1908, BETWEEN THE HAMBURG-AMERICAN LINE OF HAMBURG AND THE ROYAL MAIL STEAM PACKET CO. OF LONDON.

1. It is agreed that commencing from 1st March, 1908, 50 per cent of the freight earned (excluding earnings on refrigerated cargo, bananas, and large contract shipments of cement or clinkers for the Isthmian Canal Commission) in their respective services between New York, Jamaica, Colombian ports, Colon, and vice versa, are to be pooled on the basis of $77\frac{1}{2}$ per cent to the Hamburg-American Line and $22\frac{1}{2}$ per cent to the Royal Mail Steam Packet Co.

2. A margin of 5 per cent on the above proportions to be allowed each company, and if, at the end of the year, it should be found that the actual total earnings of each company have amounted to less than the respective proportions of $72\frac{1}{2}$ per cent by Hamburg-American Line and $17\frac{1}{2}$ per cent by Royal Mail Steam Packet Co.; then the difference between these minimum proportions and the proportions actually earned shall be adjusted in accordance with the following example:

If Hamburg-American Line shall only have earned say 70 per cent of the total earnings of both companies, they shall pay to the Royal Mail Steam Packet Co. one-half of $2\frac{1}{2}$ per cent of the pooled freight.

On the other hand, if the Royal Mail Steam Packet Co. shall only have earned say 15 per cent of the total earnings of both companies, they shall pay to the Hamburg-American Line one-half of $2\frac{1}{2}$ per cent of the pooled freight.

It is also agreed to ascertain, month by month, the quantity of cargo carried by the respective lines with a view to arrange carriage in the agreed proportions, as far as possible.

3. A joint freight tariff to be agreed between the agencies of the companies in New York.

4. The parties further agree to run their passenger steamers between New York and Colon alternately, as far as possible.

5. The Royal Mail Steam Packet Co. bind themselves not to extend their services to Haitian ports and Santa Marta, as far as sailings to and from New York are concerned, except that in case of war with the Koninklijke West-Indische Maatschappij (Dutch Line) the Royal Mail Steam Packet Co. shall have the privilege of calling at Haitian ports served by the Dutch line.

As regards Port Limon it is not the intention of the Royal Mail Steam Packet Co. to extend their present services to that port, but they reserve the right to call there, and in the event of any steamers of the Royal Mail Steam Packet Co. requiring to call, it is agreed that the two companies shall meet and endeavor to make such arrangements as will least interfere with the interests of each other.

6. The Hamburg-American Line bind themselves not to call at Trinidad and Grenada from and to New York, excepting with their cruising steamers.

7. The service between New York and Puerto Barrios to be reserved to the Hamburg-American Line, but if more than a four-weekly steamer should be required the Royal Mail Steam Packet Co. to have the option to divide alternate steamers for the additional sailings. The Royal Mail Steam Packet Co. are in no way to be precluded from calling at Puerto Barrios with their intercolonial steamers.

8. This agreement to be in force for one and one-half years from 1st March, 1908, and to continue thereafter until terminated by six-months' notice to be given by either party. That is to say, the agreement will be operative for a minimum period of two years.

9. The details of this provisional agreement to be arranged between the representatives of the two companies in New York, subject to the confirmation of the head offices in Hamburg and London.

10. This agreement is subject to a further agreement in regard to passage rates between New York and the West Indies being concluded between the respective companies within three months from the date of this agreement.

HAMBURG-AMERIKA LINIE,

THOMANN.

THE ROYAL MAIL STEAM PACKET CO.

R. L. FORBES, *Secretary*.

EXHIBIT No. 59.

MEMORANDUM OF AGREEMENT AT NEW YORK OCTOBER 7, 1908, SUPPLEMENTARY TO AGREEMENT ENTERED INTO FEBRUARY 21, 1908, BETWEEN THE HAMBURG-AMERICAN LINE AND THE ROYAL MAIL STEAM PACKET CO.

1. The Atlas Line and the Royal Mail Steam Packet Co. agree that except in cases of accident the Atlas Line steamers *Prinz August Wilhelm* and *Prinz Joachim*, or substituted vessels of similar class, and the Royal Mail Steam Packet Co. steamers shall be dispatched from New York to Colon on alternate weeks, i. e., one week one of the above-mentioned Atlas steamers and the following week a Royal Mail steamer, and vice versa from Colon to New York.

2. With reference to clause No. 4 in original agreement it is understood in the event of the Atlas Line dispatching the steamship *Prinz Eitel Friedrich* and the steamship *Prinz Sigismund* or other passenger-carrying steamers from New York to Colon, or vice versa, the same week as the Royal Mail Steam Packet Co., the Atlas Line will not book cabin passengers from New York to Colon or from Colon to New York. But should any cabin passenger obtain passage on such steamer contrary to this understanding the Atlas Line agrees to pay the Royal Mail Steam Packet Co. 50 per cent of passage money earned on such passage.

In case the steamship *Prinz Eitel Friedrich* and the steamship *Prinz Sigismund*, or substituted vessels of similar class, are dispatched the same week as the Royal Mail Steam Packet Co.'s steamers, from Jamaica to Colon and vice versa, the parties agree to divide equally the earnings of all first and second class passage and decker traffic carried by the Atlas steamers mentioned in this clause and the steamers of the Royal Mail Steam Packet Co., from Jamaica to Colon, and vice versa, less a carrying charge of \$1.50 per head per day for first-class passengers, 75 cents per head per day for second-class passengers, and 25 cents per head per day for deckers, and any commission paid agents.

3. A meeting is to be held on the 15th of each month at which cargo carryings of both lines will be ascertained and the under or over carriages of either line, in accordance with agreed upon percentage, decided upon, and arrangements made as far as possible to equalize said under or over carriages during the following month.

4. Inward and outward manifest sheets of both lines between New York and Jamaica, Isthmus of Panama, west coast of South and Central America, and Colombia, to be sent to the principals in London and Hamburg, and copies to be interchanged between the two companies at New York. These sheets to show actual rates charged shippers. At the foot of same deductions for commissions allowed shippers are to be made, also cost of all transportation beyond points of arrival or departure of Royal Mail or Atlas steamers less agreed upon cost of transshipment at New York, if incurred, 75 cents per ton weight or measurement as carried, otherwise as per scale agreed upon.

5. Present cargo tariffs to and from Jamaica, Isthmus of Panama, west coast of South and Central America, and Colombian ports to be agreed upon by both lines, subject to amendment by mutual consent, and the basis of commission to shippers to be as follows:

	Per cent.
New York to Kingston.....	10
Kingston to New York.....	Nil.
New York to outports of Jamaica.....	Nil.
Outports of Jamaica to New York.....	Nil.
New York to Colombia.....	10
Colombia to New York.....	5
Specie to or from New York.....	Nil.
New York to Isthmus and west coast of South and Central America.....	Nil.
Isthmus and west coast of South and Central America to New York.....	Nil.

It being understood, however, that both companies are at liberty to pay commission on the following basis to their regularly appointed agents on the Isthmus of Panama and on the west coast of South and Central America, viz: Five per cent on the freight earned by the Atlas and Royal Mail steamers.

Commissions to the shippers for the first 6 months should be paid at the end of 12 months and afterwards every 6 months, so that 6 months' commission will always remain in hand, and shippers should be obligated to support the Atlas and Royal Mail Lines only. Unless by special exemption and agreement with the Atlas and Royal Mail Steam Packet Co. claims for commissions must be filed with the respective companies not later than six months after they have been earned, otherwise they will not be paid.

Any commission or rebate agreements now in force by either line not in accordance with the new arrangement are to be disclosed, shippers to be notified that they will be operative over both lines while in force, and as they expire to be renewed only on basis of new agreement.

6. One-third of the through rate on cargo shipped to Jamaica outports from New York is to be deducted on pooling manifest as cost of transportation, whether transshipped at Kingston or Montego Bay, but not on cargo landed at Montego Bay for delivery at Montego Bay.

7. Four shillings is to be deducted on pooling manifest as cost of transportation from the through rate on Jamaica outport cargo shipped to New York, whether via Kingston or Montego Bay, but not on Montego Bay cargo proper shipped on direct steamers from Montego Bay.

8. On all cargo shipped from Jamaica and Colombia to New York with optional ports of delivery, an additional 2s. 6d. per ton to be charged.

9. Passenger regulations, tariffs, and general terms of agreement governing passenger traffic are hereby agreed to as per subsidiary passenger memorandum of agreement, dated New York, October 7, 1908, subject to revision by mutual consent, canceling clause No. 10 in agreement entered into at London, February 21, 1908, between the Hamburg-American Line, of Hamburg, and the Royal Mail Steam Packet Co., of London.

HAMBURG-AMERICAN LINE,
E. L. BOAS,
Resident Director and General Manager.
ROYAL MAIL STEAM PACKET CO.,
SANDERSON & SON, *General Agents.*

As agreed in New York, October 7, 1908.

EXHIBIT No. 60.

MEMORANDUM COVERING AGREEMENT BETWEEN THE HAMBURG-AMERICAN LINE (ATLAS SERVICE) AND THE ROYAL MAIL STEAM PACKET CO. COVERING PASSENGER TRAFFIC.

The following terms of agreement are entered into by the Royal Mail Steam Packet Co. and the Hamburg-American Line, in pursuance of an agreement entered into at London between these lines, dated February 21, 1903, in connection with agreement made at New York on October 7, 1908, to govern the passenger traffic between New York and West Indian, South and Central American ports:

GENERAL CONDITIONS.

1. Passenger traffic between New York and Colon will be maintained by fortnightly sailings of each line, alternating every week, as far as possible.

2. Should passengers booked to Jamaica on the steamers of the Atlas service, sailing from New York the same week as Royal Mail Steam Packet steamers, subsequently rebook by some steamer from Jamaica to Colon, the Hamburg-American Line will pay the Royal Mail Steam Packet 50 per cent of the total through passage paid.

3. Minimum rates and general conditions of passengers of both lines to ports at which both lines call, to be the same according to schedule hereinafter set forth, except where a differential is made in favor of inferior steamers, or may hereafter be modified by mutual consent.

4. In other respects the services of both lines will continue as at present arranged; subsequent changes in routes, if any, subject to terms of agreement dated London, February 21, 1908.

5. Return tickets of both lines to be interchangeable at all ports and also to be interchangeable with those of the United Fruit Co., and vice versa, between New York and Jamaica, the terms of acceptance being as hereinafter stated, except in the case of Royal Mail Steam Packet through tickets between Jamaica and England, or £50, West Indies-Europe, or £100, South American circular tour tickets, circular cruise tickets at special rates of the Hamburg-American Line, Atlas service, and stop-over tickets which are not interchangeable.

6. List of agents receiving commission other than regular passenger agents to be agreed upon and not to be extended except by mutual consent.

7. No reductions will be granted from regular tariff rates excepting to consuls or other officials connected with the American or foreign diplomatic service, for whom an optional 25 per cent discount may be granted, and for ministers or other high Government officials, for whom a rate may be arranged at the discretion of the respective lines.

8. No concessions are to be granted to shippers, but each line is free to make special rates for passage to its own agents and to the chief officials of connecting transportation lines.

9. A discount of 50 per cent from the tariff rates, according to season, may be granted to the employees of the Hotel Titchfield for out-of-season sailings between New York and Jamaica and a discount of 25 per cent to employees of the Panama Railroad Co. and the Isthmian Canal Commission over any portion of either company's service for out-of-season sailings.

10. A special out-of-season round-trip rate of \$65 for Royal Mail and Atlas *Prinz* steamers and \$60 for Atlas *Sarmia* class to be allowed to parties of 25 or more for out-of-season sailings, with optional commission of 5 per cent to organizers of such parties. No further concessions to be allowed to parties or individuals, excepting such special cases as may arise from time to time and which are to be mutually agreed upon as occasion arises.

11. For families paying four full fares or over a reduction of 10 per cent will be made. (This applies only to immediate families, consisting of husband, wife, children, and servants.)

12. The Hamburg-American Line reserves the privilege of joining the Royal Mail Steam Packet Co. in the special through rates between Europe and Jamaica, as at present in force, or may be later modified; all through rates to be based on the full local rates, excepting to ports on the Pacific coast of Central America, which rates are at present under revision—Royal Mail Steam Packet Co.'s £50 circular tours between England, New York, and West Indies, the Royal Mail Steam Packet Co.'s £100 circular tour of South America, and

the through rate to or from Cuba and Jamaica in connection with the steamship *Oteri*.

13. Through tickets to New York issued by agents of either line at Pacific coast ports of South and Central America are to be indorsed: "Available by Atlas or R. M. S. P. steamers."

14. Combined tickets may be issued by either line covering through passage over portions of both companies' services; the portions of such tickets taken up by either line to be billed to the issuing line at regular local tariff rates, less 10 per cent commission.

JAMAICA RATES.

An all-year minimum rate, first class, by Royal Mail Steam Packet and Atlas *Prinz* steamers, \$45 single, \$85.50 round trip; second cabin, \$30 single, \$57 round trip; *Sarnia* and *Sibiria* class, \$40 single, \$76 round trip; with the exception of a special season rate, from June 15 to September 30, for round-trip passage only, of \$65 by Royal Mail Steam Packet and Atlas *Prinz* steamers, first cabin, and \$50 second cabin; *Sarnia* and *Sibiria* class \$60.

Tickets issued at special season rates valid for return passage within 35 days only from the date of outward sailing.

RETURN TICKETS.

Interchangeable return tickets, to or from Jamaica, will be accepted as a cash voucher for their net face value, i. e., round-trip rate less full outward fare, and billed to issuing line for that amount less 10 per cent commission.

The carrying line will adjust with the passenger the difference between the net face value and 90 per cent of the single tariff rate of accommodation selected, refunding or collecting any difference less 10 per cent.

Return tickets must be indorsed over to the carrying line by the local agent of the issuing line and the net cash value noted thereon, and they can only be accepted by carrying line when so indorsed and the accommodation originally reserved, if any, has been resold.

Settlement of return tickets issued at the special summer rates will be adjusted on a basis of 50 per cent each to the issuing and return carrying lines, less 10 per cent commission to the issuing line.

COLON RATES.

(a) Minimum rates between New York and Colon: First class, \$75 single, \$142.50 round trip; second class, \$45 single, \$85.50 round trip; third class, \$30 single, \$57 round trip.

(b) A differential of \$10 single, first cabin, in favor of *Sarnia* and *Sibiria* class, if running in Colon service.

(c) Return tickets to or from Colon or Colombian ports to be interchangeable on a basis of 50 per cent, less 10 per cent commission to the initial carrier.

(d) Any difference between the value of a return ticket and the accommodations occupied to be adjusted with the passenger by additional payment or refund, as the case may be.

(e) Through tickets to or from west coast ports, if used by other than the issuing line, to be billed to issuing line, less general agent's commission.

COLOMBIA AND COSTA RICA RATES.

Royal Mail Steam Packet and Atlas *Prinz* steamers, minimum rates: First class, \$90 single, \$152 round trip; second class, \$45 single, \$85.50 round trip.

Sarnia and *Sibiria* class: \$70 single, \$133 round trip.

INTERCOLONIAL RATES.

	First class.	Second class.	Decker.
Kingston to Colon: Royal Mail Steam Packet and Atlas Prinz steamers..	\$30.00	\$15.00	\$6.00
Kingston to Cartagena, Savanilla, Limon, via Colon: Royal Mail Steam Packet and Atlas Prinz steamers.....	35.00	20.00	8.00
Kingston to Savanilla or Cartagena direct: Royal Mail Steam Packet and Atlas Prinz steamers.....	35.00	20.00	8.00
Savanilla to Colon direct and vice versa: Royal Mail Steam Packet and Atlas Prinz steamers.....	18.00	12.00	6.00
Cartagena to Colon direct and vice versa: Royal Mail Steam Packet and Atlas Prinz steamers.....	15.00	10.00	5.00
Savanilla or Cartagena to Colon via Limon: Atlas Prinz steamers.....	25.00	15.00	10.00
New York to Savanilla or Cartagena via Hayti:			
Atlas Prinz steamers.....	80.00	45.00	-----
Atlas Altai and Alleghany.....	70.00	-----	-----
Savanilla or Cartagena to New York via Santa Marta:			
Atlas Prinz steamers.....	80.00	45.00	-----
Atlas Altai and Alleghany.....	70.00	-----	-----
Savanilla or Cartagena to Kingston via Limon and Colon: Atlas Prinz steamers.....	50.00	30.00	20.00

COMMISSIONS.

A commission of 5 per cent to subagents, with the following minimums: First cabin, \$3 single, \$5 round trip; second cabin, \$2 single, \$3 round trip.

Hotel runners' list to be agreed upon. 5 per cent, with no minimum.

A general agents' commission of 50 per cent over subagents' commission to be granted to district agents at Boston, Toronto, Chicago, and other points to be mutually agreed upon.

Thomas Cook & Son, 10 per cent.

General agents' commission of 50 per cent over subagents' commission to be allowed to general agents, one each in Peru, Chile, and Ecuador.

PASSAGE REGULATIONS.

Cabin rates include one berth in a stateroom for two, with meals. In case of families, where more than two are placed in a room, the additional passengers pay the regular rate, or the minimum rate if berthed in a higher priced room.

Children between 12 and 8 years, one-half fare; between 8 and 3 years, one-fourth fare; one child under 3 years of age, free; additional children under 3 years, one-fourth fare each.

Children paying one-half fare will be entitled to a berth, but must dine at children's table.

Servants accompanying employers, two-thirds fare, irrespective of age, and will take their meals at the servants' table.

Dogs, monkeys, birds will not be allowed in staterooms or saloons. Five dollars will be charged for each dog or monkey and \$2.50 for each bird.

Baggage—Passengers will be allowed 30 cubic feet of baggage free for each adult, first cabin; 20 cubic feet for each adult passenger, second cabin; 15 cubic feet each adult third-class or deck passenger. Children's and servants' in proportion.

Excess baggage will be charged at the rate of 15 cents per cubic foot to Jamaica and 20 cents per cubic foot to Colon and Colombian ports.

Automobiles, accompanied by their owners or chauffeurs, will be carried between New York and Kingston at owner's risk of damage while loading, unloading, or in transit, at \$25 for each car weighing 2,000 pounds or less, and 50 cents per 100 pounds additional for all weight in excess of 2,000 pounds. Details, such as loading, permits, general restrictions, to be governed by local conditions affecting the line.

Head tax—United States alien head tax of \$4 will be charged in addition to regular rates in case of alien passengers purchasing tickets to New York or round-trip tickets from New York.

All other regulations and general conditions of both lines, such as through baggage to Pacific coast points, rates for same, etc., to conform with each other.

Dated New York, October 7, 1908.

Mr. HARDY. I see the agreement was to expire, by its terms, probably in 1911.

Mr. BECK. It has been extended.

Mr. HARDY. It has been extended from year to year? It is a nine-year agreement?

Mr. BECK. Yes. It now expires in March of this year—that is, if notice of cancellation is given by either party.

The CHAIRMAN. Have you any arrangement, agreement, or understanding with the United Fruit Co.?

Mr. BECK. We have no hard and fast agreement with the United Fruit Co., but it is tacitly understood that they will observe the same rates and conditions as the Royal Mail Steam Packet Co. and ourselves.

The CHAIRMAN. That is, the arrangement existing between the Hamburg-American Line and the Royal Mail Steam Packet Co. is observed by the three lines?

Mr. BECK. That is right.

Mr. HARDY. With the Royal Mail Co. you had a pooling agreement?

Mr. BECK. Yes; that was a pooling agreement.

Mr. HARDY. Have you a pooling agreement with the fruit company?

Mr. BECK. No; we have not.

Mr. HARDY. Only a rate-fixing agreement?

Mr. BECK. I should hardly call it an agreement.

The CHAIRMAN. There has been a marked increase in the freight rates between Jamaica and American and British ports recently, has there not?

Mr. BECK. Yes. The freight rates have been advanced approximately 15 per cent within the last year.

The CHAIRMAN. Has not the minimum rate been increased from \$3 to \$7?

Mr. BECK. From \$3 to \$5.

The CHAIRMAN. We have information that it has been recently increased from \$3 to \$7.

Mr. BECK. That information must be erroneous. I have brought with me our Jamaica tariff, and if you will permit me to consult it, I will give you that definitely. [Consulting paper.] The minimum charge to Kingston is \$5 and to Jamaica outports, \$7. You probably have confused the outports with Kingston.

The CHAIRMAN. Our information does not mention the ports.

Mr. BECK. The Jamaica outports are naturally a transshipment proposition. They are not of sufficient importance to warrant direct service, and for that reason the rates to the Jamaica outports, including the minimum, are higher than to Kingston.

The CHAIRMAN. When were these rates increased? Can you give the date definitely?

Mr. BECK. The last increase took place on January 10, effective February 15. That is, the increased rates are not yet in effect.

The CHAIRMAN. The Royal Mail Steamship Co. operates, you say, from Jamaica to ports in Haiti?

Mr. BECK. It does.

The CHAIRMAN. What are the rates from European points to Jamaica as compared with rates from New York to Jamaica?

Mr. BECK. The rates from Europe to Jamaica are considerably higher than from New York to Jamaica.

The CHAIRMAN. Can you give about what the difference is in percentage?

Mr. BECK. Roughly, I should say that the European rates are at least 30 per cent higher.

The CHAIRMAN. What was the minimum rate to Kingston before this increase was made?

Mr. BECK. The minimum rate to the outports, I believe, was \$3, the same as to Kingston.

The CHAIRMAN. The rate to Kingston has been increased from \$3 to \$5 and to the outports from \$3 to \$7?

Mr. BECK. That is right.

The CHAIRMAN. I believe you say, however, that you have a steamer that makes all these outports, distributing the freight directly to those ports instead of from the one port where it was shipped heretofore. Is that correct?

Mr. BECK. Yes; but may I interrupt you a moment?

The CHAIRMAN. Yes.

Mr. BECK. That service is conducted at a loss to us, and the higher rates obtained to the Jamaica outports do not offset the additional expense involved in making direct deliveries to such small ports, the cargo for which will sometimes not be over 20 or 25 tons. Naturally, when a steamer goes into a small port it has to pay the regulation port charges, and that makes the expense of delivering at small ports all out of proportion to the freight we receive. Since we have conducted our service direct instead of transshipping at Montego Bay, as we did formerly, I estimate we have lost on five departures in the neighborhood of \$5,000.

The CHAIRMAN. You speak of the minimum rate. Explain that now, so we will understand it.

Mr. BECK. The minimum rate is the minimum freight for which we will issue a bill of lading.

The CHAIRMAN. In other words, you will not issue a bill of lading for less than \$7 to one of those outports?

Mr. BECK. That is right; but the shippers, if they choose, can take advantage of our parcel receipt rates on small shipments.

The CHAIRMAN. Explain that.

Mr. BECK. We issue a parcel receipt, a very simple affair, under which our obligations are not quite as great as they are under a bill of lading and, in consideration of that, we accept a rate to Kingston of \$1 for the first cubic foot or fraction thereof, and 50 cents for each additional cubic foot up to 9 cubic feet, which is all explained in our tariffs, which you have in your possession.

The CHAIRMAN. Is there any other question on that?

Mr. HARDY. That rate of \$1 for the first cubic foot and 50 cents for each additional cubic foot up to 9 cubic feet, would make you \$5 per 9 cubic feet, would it not?

Mr. BECK. Yes; that is only for parcels.

Mr. HARDY. That is for small parcels?

Mr. BECK. Yes. If the shipment exceeds 9 cubic feet it would be to the shipper's interest to take out a bill of lading instead of a parcel receipt, when he would enjoy the regular rate per ton or per cubic foot, as the case may be, subject to the minimum charge.

Mr. HARDY. This parcel receipt, then, does not affect your minimum charge at all; it is just a receipt for small parcels, is it not?

Mr. BECK. It is an avenue for shippers who have small parcels to send and who do not want to pay the minimum bill of lading charge.

Mr. HARDY. I understand now what you mean; but it gives me an entirely different idea as to what was meant by your increase from \$3 to \$5. I thought that the increase meant that you were raising the rates of your freight, but as I understand you now you are only raising the limit of your minimum charge?

Mr. BECK. Exactly.

The CHAIRMAN. I believe you say you also have a line running to Colombia?

Mr. BECK. We have. We have a weekly service from New York to Colombia and Atlantic ports, namely, Porto Colombia or Savannah, as it is sometimes called, Cartagena, and Santa Marta.

The CHAIRMAN. What other lines run to any of those points?

Mr. BECK. The Royal Mail Steam Packet Co. and the United Fruit Co.

The CHAIRMAN. You have a weekly service, do you?

Mr. BECK. We have a weekly service. The Royal Mail has a fortnightly service and the United Fruit Co. has a weekly service.

The CHAIRMAN. You may state if your company is a party to any agreement or agreements, or any understandings with those lines, or either of them, as regards either freight or passenger traffic to or from the United States and any of these ports in Colombia.

Mr. BECK. Our relations with those companies are exactly the same in connection with the Colombian trade as I have just explained in regard to the Jamaican trade.

The CHAIRMAN. Does the same agreement operate in that trade as in the Jamaican trade?

Mr. BECK. The agreement with the Royal Mail Steam Packet Co., of which I have handed you copies, covers Colombia, Jamaica, and Colon.

The CHAIRMAN. And the United Fruit Co. acts in accord with your company and with the Royal Mail Steam Packet Co. in that trade to Jamaica and Colombia and Colon, does it not?

Mr. BECK. They act in harmony with us, but have no written agreement with us.

The CHAIRMAN. Is it a verbal understanding?

Mr. BECK. Not even that. They follow our rates, but they are under no obligations whatsoever to do so.

The CHAIRMAN. But you all act in accord, do you not?

Mr. BECK. We act in accord; yes, sir.

The CHAIRMAN. Which companies operate directly between New York and Colon?

Mr. BECK. The Royal Mail Steam Packet Co., the United Fruit Co., the Panama Railroad Steamship Co., and ourselves. Occasionally the Munson Steamship Co. has dispatched steamers to Colon, but they serve Colon regularly from Baltimore and only occasionally from New York.

The CHAIRMAN. What lines operate from the Pacific side of the Isthmus of Panama to the west coast of South America?

Mr. BECK. The Pacific Steam Navigation Co., the Compania Sud Americana, or what is known as the Chilean Steamship Co., and the Peruvian Steamship Co.

The CHAIRMAN. State whether or not those companies have any agreement or agreements or understandings with reference to the trade to the west coast of South America.

Mr. BECK. I have no definite knowledge, but my understanding is that the Pacific Steam Navigation Co. and the Compania Sud Americana work in harmony. The Peruvian Steamship Co., in which the Peruvian Government is interested, does not act in complete accord with the other two lines.

The CHAIRMAN. You may state if your company or companies, operating from New York to Colon, have any agreement or agreements, or any understanding or understandings with those steamship lines, or any of them, operating from Panama to the west coast of South America.

Mr. BECK. To explain that I shall have to go into a little history. Up to the time that the Hamburg-American Line Atlas service began to run to Colon I believe the Panama Railroad Steamship Co. was the only one in operation between New York and Colon. When we went into that trade it was with the understanding that we would not disturb the tariffs that then existed on business to the west coast ports.

The CHAIRMAN. Will you explain that again?

Mr. BECK. It was with the understanding that we would not disturb the tariffs then existing on cargo for the west-coast ports. The other lines, which have subsequently entered that field, namely, the Royal Mail Steam Packet Co. and the United Fruit Co., have also observed those tariffs. They are the original tariffs published by the Panama Railroad Co.

Now, on business from the west coast to New York the west-coast carriers fix the tariff. The carriers on the Atlantic side of the Isthmus have nothing whatsoever to do with those rates.

The CHAIRMAN. They all get about the same proportion of the rate, I presume, do they not?

Mr. BECK. So far as I know the rates are divided the same for all lines, approximately 30 per cent to each carrier.

The CHAIRMAN. Now let us take Central America. To what points does your line run?

Mr. BECK. On the west coast we serve Central America and Mexico. We, of course, can not go beyond that, because we run under the German flag and are prohibited by our coastwise laws from partaking in the west-coast business of the United States.

The CHAIRMAN. You say your line operates to the west coast of Central America?

Mr. BECK. To the west coast of Central America and Mexico: that is, we accept cargo for Colon, where we deliver it to the Panama Railroad Co. who in turn deliver it to the Pacific Mail Steamship Co.

The CHAIRMAN. What other lines do the same thing?

Mr. BECK. The Royal Mail Steam Packet Co., the United Fruit Co., and the Panama Railroad Steamship Co.

The CHAIRMAN. Have you a line on the Pacific side yourselves, or is all this traffic there conducted by the Pacific Mail Steamship Co.?

Mr. BECK. We have no line on the Pacific coast.

The CHAIRMAN. On the Pacific side?

Mr. BECK. All our Central American cargo is transshipped by the Pacific Mail Steamship Co.

The CHAIRMAN. You then carry it from New York to Colon, where it is transferred to the Panama Railroad, and at the Pacific end of the canal or the railroad it is transshipped to the Pacific Mail Steamship Co. and distributed to Central American and Mexican ports?

Mr. BECK. That is right.

The CHAIRMAN. That business is controlled under the same understanding between the lines mentioned as the business to the west coast of South America, is it not?

Mr. BECK. That is right.

The CHAIRMAN. Do you serve any of the Central American and Mexican ports on the east side?

Mr. BECK. On the east coast we serve only Port Limon, Costa Rica, and Bocas del Toro, Panama.

The CHAIRMAN. You do that directly?

Mr. BECK. Directly. We have a weekly service to Port Limon and one steamer every four weeks to Bocas del Toro.

The CHAIRMAN. The Royal Mail and the United Fruit also serve those ports, do they not?

Mr. BECK. They do not. The United Fruit Co., I beg pardon, serves Bocas del Toro and Port Limon. The Royal Mail does not.

The CHAIRMAN. Have you any understanding with them—I mean with the United Fruit Co.—as regards your freight or passenger traffic?

Mr. BECK. We observe the same tariffs, but there is no hard and fast understanding.

The CHAIRMAN. Now, you may state whether or not there is any agreement or understanding between your line and the other lines mentioned, or any other lines, with reference to the trade from the Gulf ports and these various points you have mentioned.

Mr. BECK. The United Fruit Co. conducts a service from New Orleans to Colon, and observes the same tariff from New Orleans as the tariff from New York.

The CHAIRMAN. Do you mean the rate is the same from New Orleans as the rate is from New York?

Mr. BECK. Yes, sir.

The CHAIRMAN. Is that by agreement between the companies?

Mr. BECK. Well, that is a tacit understanding existing between the companies.

The CHAIRMAN. And they are working under that understanding, are they?

Mr. BECK. That is right.

The CHAIRMAN. But it is not in writing?

Mr. BECK. It is not in writing.

The CHAIRMAN. How about the Cuban trade?

Mr. BECK. We have no understanding whatever with any line from the Gulf. I believe there is an understanding in existence between other Cuban lines from New York and from the Gulf, but we are not a party to it.

The CHAIRMAN. That is, you think there is an agreement between other lines from New York to Cuba, and lines from Gulf ports to Cuba?

Mr. BECK. Yes.

The CHAIRMAN. Do you know what companies those are?

Mr. BECK. I could not name them, not completely.

The CHAIRMAN. Well, give us your best information.

Mr. BECK. The Munson Line, the Ward Line, and the Morgan Line.

The CHAIRMAN. Are there any questions, gentlemen, you wish to ask him?

Mr. HARDY. Does your company observe the terms of that agreement?

Mr. BECK. The one just spoken of, the Gulf agreement?

Mr. HARDY. Yes.

Mr. BECK. No; we are not a party to it.

Mr. HARDY. Not a party to it, but do you enter into competition with the members of that agreement?

Mr. BECK. We pay absolutely no attention to the agreement. I do not know what the agreement is, and we work absolutely independently of it.

Mr. HARDY. You go into the same territory as they do?

Mr. BECK. We only serve one part in Cuba. Our Cuban business is a very small one.

Mr. HARDY. And that is?

Mr. BECK. We only go into Santiago and we pay no attention whatsoever to what the Gulf lines are doing.

Mr. HARDY. You go to Santiago, not as an ultimate destination, but as a way port?

Mr. BECK. Yes, sir; a way port, exactly.

The CHAIRMAN. Is there anything else you want to add to what you have said, by way of explanation?

Mr. BECK. I only wish to hand you copies of tariffs which have been issued since you last called upon me for that information. Shall I name them?

The CHAIRMAN. Yes; you may name them. They will not go into the record, however.

Mr. BECK. Jamaica, tariff No. 3; Colombia, tariff No. 3; Port Limon, tariff No. 3; Haiti, tariff No. 1; and Caribbean, classification No. 2.

The CHAIRMAN. Have they been changed recently?

Mr. BECK. These have been revised recently.

The CHAIRMAN. Since we called upon you for them?

Mr. BECK. Yes, sir.

Your subpoena commands me also to hand you any freight contracts which we may have. Now, as to West Indies business, practically no contracts exist. It is more like a railroad business. The shipper tenders his goods, we accept them, issue bills of lading, and the question of rates is discussed only infrequently. The shippers are all familiar with our tariffs. They appear to be satisfied with the tariffs and tender their goods for shipment, and the question of rate is not discussed.

Occasionally we have some large engineering propositions put before us, when perhaps the question of rate is a very important one, and it is then customary for the lines who are interested to get together and discuss the basis for such business.

The CHAIRMAN. You mean some engineering matter?

Mr. BECK. For instance, like the building of a railroad.

The CHAIRMAN. Material for a railroad or machinery for a mine?

Mr. BECK. Exactly. Now, at the present time we have only one such contract in existence, which I have brought a copy of. It is a contract with the Caribbean Construction Co., which is building what is known as the National Railway of Haiti, in Haiti. When this proposition came up they came to us to find out what assistance we would offer them, and, realizing that they were to improve the country which we were then serving, we have allowed them special rates on their freight.

Mr. HARDY. You did that as a builder up of your own business?

Mr. BECK. Exactly; we figured that the building of railroads in Haiti would increase the exports and imports in that country, and we therefore gave them low rates to encourage the undertaking. That contract is still in existence, and I hand you a copy of it.

The CHAIRMAN. We do not care to put it in the record. It may be marked for identification.

The contract here submitted by the witness was marked by the stenographer, "Exhibit 63, January 22, 1913," for identification.

The CHAIRMAN. Do all shippers get the same rates to various points that you have mentioned?

Mr. BECK. The rates are alike to all.

The CHAIRMAN. What did you say?

Mr. BECK. The rates are alike to all.

The CHAIRMAN. That is for small as well as large quantities?

Mr. BECK. Yes; there is no difference made, except in cases such as I have mentioned.

The CHAIRMAN. Can you state how rates from New York ports to Cuba or Haiti, San Domingo, and Colon, and the other points mentioned compare with the rates from Europe?

Mr. BECK. The rates are invariably lower from the United States than from Europe.

The CHAIRMAN. Will you state whether or not there is any understanding or agreement between your company and the Red D Line by which you keep out of Venezuelan ports?

Mr. BECK. There is no understanding whatsoever between the Red D Line and ourselves.

The CHAIRMAN. If there is nothing further, you may be excused, unless you desire to make some further statement.

Mr. BECK. I am asked in my subpoena as to what conferences the Atlas service is a member of.

The CHAIRMAN. Yes.

Mr. BECK. We are a member of what is known as the "Caribbean conference," which is a conference which devotes its time entirely to noncompetitive features of the business, in which we are mutually interested, such as improving our form of bill of lading, dock receipts, shipping permits, and matters of a nature which are not competitive.

The CHAIRMAN. And in which you are all mutually interested?

Mr. BECK. Yes.

The CHAIRMAN. Is there any qualification for membership in this conference?

Mr. BECK. No; everyone in the trade is invited to join. They have not all joined, but most of the lines in the West Indies and the Cuban trade are members of the conference.

The CHAIRMAN. Would any line that cuts rates be barred from the conference?

Mr. BECK. The question of rates is never discussed in that conference.

The CHAIRMAN. As I understand, this conference is made up indiscriminately between all the lines engaged in that trade, whether they operate from New York or other ports on the Atlantic or the Gulf coast?

Mr. BECK. This conference is one of New York lines only.

The CHAIRMAN. And those who are members of that conference are connected with lines that are acting in harmony in that trade?

Mr. BECK. Well, not necessarily so. The lines that are members of that conference may be fighting each other in rates and at the same time still be members of the conference and be able to agree on such matters as I have mentioned; and that is the purpose of the conference. I should be glad to send you the minutes of the meetings of that conference, if that will be of any interest to you. In fact, I believe Mr. Gottheil has left with you the minutes of the first and second meetings, which describe the scope of that conference.

The CHAIRMAN. Yes; I think we have them. Your line is a German line?

Mr. BECK. Yes.

Mr. HARDY. Is any of the stock owned in the United States?

Mr. BECK. Not to my knowledge.

Mr. HARDY. Do they own their own boats or charter them?

Mr. BECK. Our company owns practically all the steamers that they run, but they charter when necessity requires them to do so.

The CHAIRMAN. Where are the rates to these various ports to which you have referred made—in New York?

Mr. BECK. Made in New York.

The CHAIRMAN. Are they subject to revision abroad?

Mr. BECK. No. Our European principals do not interfere in any way with the rate making of the New York service.

The CHAIRMAN. Are they made independently of European rates, and are not affected by them in any manner?

Mr. BECK. No; we keep the European rates well in view when fixing the rates from New York.

The CHAIRMAN. And use them as a basis of your rates?

Mr. BECK. To a large extent, yes; but, as previously explained, the New York rates are on a lower parity.

The CHAIRMAN. I suppose you observe the same classifications?

Mr. BECK. The classifications are virtually the same. Of course, there are commodities which are shipped from the United States which do not move from Europe, and vice versa.

The CHAIRMAN. I suppose on those that move only from the United States you have rates made here?

Mr. BECK. Yes. While the rates are made here on everything we naturally keep Europe in view, because Europe is our strongest, in fact, our only competitor, and the rates are fixed with the object of developing our United States trade.

Mr. HARDY. Is that why you fix the American rates lower than the European rates?

Mr. BECK. That is one reason.

Mr. HARDY. Your owners being all foreign are not they interested in developing European trade rather than the American?

Mr. BECK. No; they are interested only in making money.

Mr. HARDY. So that their being a foreign line does not prevent them from giving preference or lower rates to American goods in order to develop the American business. That is where their money lies?

Mr. BECK. We do not give preference to one country or the other. We develop our services where the development will net us the most revenue, be it from Europe or from the United States.

Mr. HARDY. Still if your rates were lower from Europe that would have a tendency to throw the trade to Europe, would it not?

Mr. BECK. Naturally, it would.

Mr. HARDY. And if they were lower from America it would have a tendency to throw it to America?

Mr. BECK. Yes; but the American business differs very largely from the European business. It is only on a limited number of commodities that Europe competes with the United States. Our business to the West Indies consists very largely of foodstuffs, flour, packing-house products, wheat, corn, and in fact all grains.

Mr. HARDY. But on those where there is competition you give the lower rates to the United States?

Mr. BECK. The lower rates to the United States. Because of its being a shorter voyage the United States should naturally have lower rates than Europe.

Mr. HARDY. You are giving it the advantage of its natural proximity, then?

Mr. BECK. Yes.

Mr. HARDY. One reason why I am asking this question is because of the claim that the foreign steamship lines naturally favor their own countries to the detriment of the United States trade. Is that so as regards your line?

Mr. BECK. I have never seen the least sign of it.

Mr. HARDY. In fact, you fix the freight rates here in this country, you say?

Mr. BECK. We fix the rates. I am interested in developing the New York service, because it is my department, and I aim to fix the rates at a point which will permit the shippers from the United States to do the business.

The CHAIRMAN. In other words, you would not want to make a rate which would put your line out of business as against European lines?

Mr. BECK. The question would then arise as to where we made the most profit out of it—from New York or from Hamburg—and the service that could make the most money out of the business would be the service that would be permitted to carry it.

The CHAIRMAN. There is not much sentiment involved in it? It is purely business?

Mr. BECK. Absolutely none. It is purely a matter of dollars and cents.

The CHAIRMAN. You are interested in developing the trade between New York and these ports?

Mr. BECK. We are; most assuredly.

The CHAIRMAN. Increasing our exports not only of foodstuffs but manufactured products as well?

Mr. BECK. Yes; manufactured products as well.

The CHAIRMAN. Is there anything further you desire to say?

Mr. BECK. I have nothing further.

Mr. POST. I wish to ask the witness one question. If I understood you rightly, you said the freight rates from New Orleans to Colon were the same as from New York to Colon. Why were the rates fixed the same from those two points?

Mr. BECK. In my opinion, it was because they are able to get those rates. The cargoes shipped from Colon consist almost entirely of what we call staples; that is, grain, flour, lumber, and other rough cargo. The Gulf is the natural gateway for all that stuff. New York is not. And the New Orleans line can easily obtain the same rates as the New York line. In fact, they could command a premium, but they do not attempt to get higher than the New York rates.

Mr. POST. What is the difference in distance in the two routes?

Mr. BECK. I should say about 400 miles in favor of New Orleans—practically only a day's steaming.

Mr. POST. What is the difference, if any, in the passenger rates between the two points?

Mr. BECK. I am not familiar with the passenger end of the business at all.

Mr. HARDY. If the distance is a day's sailing nearer, why is it that you do not give some cheaper rates from New Orleans than you do from New York?

Mr. BECK. My experience has been that in the steamship business distances do not count for a great deal, and, as I have previously explained, the Gulf being the natural outlet, and inland rates to the Gulf being lower from the point of origin than from that same point of origin to New York, the Gulf has already a tremendous advantage when the Gulf lines observe the same rate as from New York. As to the equity of the thing I am not prepared to pass an opinion.

The CHAIRMAN. In other words, most of the traffic coming down the Mississippi would be carried at a much less rate than the all-rail route from inland points to New York, and normally and logically the rate from New Orleans to Central American ports ought to be less than from New York? That is a fact, is it not?

Mr. BECK. Only from the standpoint of the shorter distance, but you should also take into consideration that the trade from the Gulf is of a less profitable nature. As I said before, it consists of the rough cargo such as lumber, corn, grain, and packing-house products. Those commodities carry the lowest rates of any that are carried to the West Indies. If they should accept lower rates on those commodities than the New York lines do they would suffer a great loss. They could not afford to do it. We can accept those rates from New York because our freight is sweetened by higher class merchandise which forms a considerable share of our cargo, what we call

our measurement goods, boots and shoes, dry goods, clothing, furniture—

Mr. HARDY. That makes your average rate higher from New York?

Mr. BECK. That brings up our average earnings. The Gulf lines have none of that high-class cargo. They have only the rough cargo.

Mr. HARDY. Does your line run regularly from New Orleans?

Mr. BECK. No; we have no service from New Orleans.

Mr. HARDY. Then, your rate is more a matter of theory than of actual carrying if you have no lines from New Orleans?

Mr. BECK. I am only speaking from a general knowledge of the Gulf trade, but we are not directly interested in it so far as the West Indies and Caribbean ports are concerned.

The CHAIRMAN. My impression was that you made the rates from New Orleans or the Gulf ports to Central America the same as from New York so as to absorb the difference in the rates from inland points to New Orleans as compared with inland points to New York, just as, for instance, I notice you recently increased your rates to Jamaica about 15 per cent, I believe you said. I understand that recently they reduced their ad valorem custom duties in Jamaica from 16½ per cent to 10 per cent, and the freight rates absorbed that difference. So the people do not get any relief in the reduction in the tariff duty.

Mr. BECK. I have not even a knowledge of that reduction in the tariff of which you speak.

The CHAIRMAN. We are confronted with the same condition in the Brazilian trade, where we get a differential of about 30 per cent, but no sooner were we given that by Brazil than the steamship companies advanced the rates to absorb it.

Mr. BECK. I can not speak definitely of the Brazilian trade, but I know, so far as the Jamaica trade is concerned, that the advance in rates was made without any knowledge on the part of the lines interested that there had been a reduction in the Jamaica duties. In fact, the first I have heard of it is now that you mention it, and all advances in rates were based entirely upon the increased cost of operation and the increased value of tonnage throughout the world. A steamer's time to-day is worth 100 per cent more than it was 12 months ago.

The CHAIRMAN. Why is that?

Mr. BECK. Because the world's shipping seems to have grown faster than the world's tonnage, and there is a demand for vessels in all trades.

The CHAIRMAN. It is only a very few years ago—I would say not more than four—that various representatives of steamship lines stated before this committee that the world's tonnage was far in excess of the world's needs, and they stated in their report that there were ships lying idle. You say that condition does not exist to-day?

Mr. BECK. No; everything that floats is in use, but the condition you have mentioned did exist four or five years ago.

The CHAIRMAN. Yes; I recall that statement having been made here.

If there is nothing further that the committee desires to ask Mr. Beck, he may be excused. We will now hear Mr. Sickel.

TESTIMONY OF MR. W. G. SICKEL, VICE DIRECTOR IN CHARGE OF TRAFFIC OF THE HAMBURG-AMERICAN LINE.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name, address, and business.

Mr. SICKEL. W. G. Sickel, vice director in charge of traffic of the Hamburg-American Line.

The CHAIRMAN. You indicated to me, Mr. Sickel, that you would like to make a preliminary statement without interruption, and if it is agreeable to the committee you may do so.

Mr. SICKEL. Mr. Chairman, as I rather expect to be on the stand a considerable time, I think it would be best for me first to give you a comprehensive idea of the services of our company, because much that I may say later on has a bearing on services of our company which do not touch the United States, and with your permission I will give that.

The CHAIRMAN. Very well.

Mr. SICKEL. The Hamburg-American Line is incorporated under the laws of Germany. It operates the following services, which I will give in groups in order not to burden the record too much.

They are as follows: From Hamburg to the West Indies and the Caribbean districts.

From Hamburg to Mexico and Cuba.

From Hamburg to the Far East, taking in ports such as Penang, Singapore, Manila, Hongkong, Shanghai, Yokohama, Kobe.

From Hamburg to ports in India, such as Colombo, Madras, Calcutta, Bombay, and Rangoon.

From Hamburg to the various Brazilian ports.

From Hamburg to ports in the River Plata.

From Hamburg around the Horn to the west coast of the two Americas, as far north as San Francisco.

From Hamburg to ports in the Persian Gulf.

From Hamburg to all of the various ports on the west coast of Africa, comprising in number in the neighborhood of 100.

Those are all services in which the United States has no interest. I will now give you the services operated from Canada and the United States: From Montreal in the summertime and from the Canadian winter ports, such as Halifax and St. Johns in the winter; from Boston to Hamburg; from New York to Hamburg; Philadelphia to Hamburg; Baltimore to Hamburg; Newport News and Norfolk to Hamburg; Savannah to Hamburg; New Orleans to Hamburg; Galveston to Hamburg; and occasional steamers from Port Arthur and Mobile to Hamburg.

From New York to the middle and southern parts of Brazil; from New York to the west coast of Africa; from New York to Genoa and Naples; from New York to Cuba, Haiti, Colombia, Panama, and Costa Rica; and during the winter cruising business, from New York and New Orleans to ports in the West Indies and Panama, and from New York to Oriental ports. Many of these trades are divided up into separate services and the number of trades covered by my statement just made comprises 70 different services, touching at about 300 ports of the world.

Your chairman has very kindly permitted me to make a preliminary statement and at the conclusion of this statement I shall be

most happy to answer any questions bearing on what I have said or any feature of the business on which I can throw any light. It would be an insult to the intelligence of this committee to deny that many of the prominent foreign trades are conducted by the medium of agreements between the lines serving that trade, not infrequently supplemented by pools or rebates. In order to make clear the necessity for these instruments for doing the business, all of which are gradual and natural evolutions, it is necessary to take some specific trade and follow it from its inception to its present state of development. What will be true of one trade will be more or less true of nearly all the others.

I have decided to take for my example the trade between the United States and Central America, the northern countries of South America and, in general, the whole Caribbean district.

About 13 years ago, the only regular line serving this district from the United States was an English corporation known as the Atlas Line. The company was old-fashioned, unprogressive, and was making no money. Their ships were antiquated and, as small as the trade was then, they were not serving it properly. Our principals, believing that the future of the trade between the West Indies and the United States permitted of development, purchased the company, putting the steamers under the German flag. Our first work was to rejuvenate the line. Little by little we did away with all the old steamers, substituting for them modern steamers with a larger freight and passenger capacity. The work was being done gradually. We offered facilities to upbuild the business that were in advance of the needs of the trade. The result was, it was several years before we could see the return of a new dollar for an old; but about the time that we were beginning to see some daylight in our venture, which, if I remember correctly, was about five years after we had purchased the line, the Royal Mail determined to extend their service, then running between England and the West Indies, on to New York, thus competing with our Atlas service.

Evidence before this committee that I have read so far has led me to believe that it is in their minds that the prominent foreign steamship companies have parceled out the world among themselves. For many years prior to the advent of the Royal Mail competition, the relations between my company and that company, in trades from Europe in which the United States is not interested, were of a friendly nature, and yet, without any preliminary negotiations, without asking our leave or permission, they announced that they intended to compete with us. Naturally, after the five years of losses that we had sustained in the Atlas service, the Royal Mail was not a welcome guest. We, of course, resented the advent of another line whose additional tonnage would make the profits on our venture difficult, and, while I can see the fallacy of it now where I could not then, yet nevertheless, we resented their entry into the trade and for a period of probably two years, we fought them. The Royal Mail is a strong company and, at the end of two years, neither one had succeeded in eliminating the other and the natural result was that we came to an agreement. But let me point out what happened before we arrived at this agreement. I have already stated that, up to the time of their entering we ourselves had overtonnaged the trade, and it was made worse when the Royal Mail came to compete with

us. Having no understanding with them and wishing to protect ourselves, we would go to a shipper and make some secret arrangement with him. Such things can not be kept private for long and the Royal Mail did the same thing, with the result that, when we came to an agreement and each of us tabled our secret contracts, it was most surprising to see how, unconsciously, we had been unjust to many shippers by giving some of them preferential rates. If both of us had been determined to annihilate the other, and, for the sake of argument, one had been driven out of the trade, would it not have automatically created a monopoly? Because, if one strong line could drive another strong line out of the trade, it would be a bad trade for any weak competitor to venture in in the future. Unrestricted competition based on the law of the survival of the fittest must in the end result in monopoly.

After we came to our agreement with the Royal Mail and all secret arrangements with shippers had been canceled or expired, every shipper was on an equal plane with others. Discriminations had ceased. The natural question that you will ask is that, after we had come to our agreement, what was to prevent our putting the rates to a basis that would be exorbitant? There would be nothing to prevent this, except, if we had followed such a policy, which we did not do, the two partners in the trade would be subject to the same discriminatory measures of competition as we suffered at the hands of the Royal Mail. Fortunately for both of us, the original judgment displayed by my principals was proving to be good, because the trade grew rapidly, sufficiently to enable us both to live alongside of each other.

The Atlas Line had gone through its second period of engaging in a trade that was overtaken, and was about seeing daylight for the second time, when the United Fruit Co., which is the largest importer of fruit from the West Indies to the United States, determined to go into the steamship business to handle, in addition to its own products, passengers and general merchandise and engage in the business as a common carrier, like ourselves. This decision on the part of the United Fruit Co. not only took large quantities of freight from the Royal Mail and from our Atlas Service, but we came again into the situation of having more steamers than the trade justified. Nevertheless, the United Fruit Co. was a powerful organization, which had experience in the handling of steamers and knew their business, and the Royal Mail and ourselves, as partners in the trade, admitted them without a protest, because both of us saw the fallacy of attempting to fight an organization of their experience and resources. The Royal Mail and ourselves have no agreements with the United Fruit Co., although we all three work in cooperation, but the fact remains that, with three large prominent lines serving that trade, there are more steamers than there is business.

Suppose, for instance, we did not work under some kind of gentlemen's agreement? The trade would soon be in a chaotic condition such as it was during our fight with the Royal Mail; and if the three of us engaged in a three-cornered fight, some one of us, or maybe two of us, would either drop out of the trade altogether or restrict our tonnage, and while shippers might have very low rates, they would not have the facilities to move their cargo, for it can not be denied that a long, hard fight among two or more ocean transporta-

tion companies does not expand but tends to restrict the development of those lines, which places our exporter at a disadvantage in competing in the world's markets.

My years of experience have shown to me that shippers do not as a rule object to the friendly agreements existing between lines for the maintenance of rates. On the contrary, they are assured that these agreements prevent discrimination. All they ask is that the rates be made reasonable enough to allow them to sell in competition with the foreign producer. In fact, I believe I am correct in stating that it is an underlying principle with the Interstate Commerce Commission to do all within their power to maintain the stability of railway rates and to prevent discriminations; but in order to maintain these agreements it is not infrequently necessary to supplement them with pools and in some few cases with the rebate system. You can not make an agreement for the maintenance of rates with your competitor and expect him to live up to it if the arrangement does not give him a fair share of the business. It is not often that two or more lines will run side by side serving the same trade and have the service of both lines equal in every respect. For instance, in the Brazil trade the Lamport & Holt steamers are the favorite steamers, because they are faster. If the weaker lines maintain the same rates, the favorite line would get most of the business, certainly the higher-paying freight.

The interstate-commerce law prohibits the pooling of railway freight, and yet the railways of this country, weak and strong alike, maintain the same tariffs and are able to exist side by side with each other, and your natural question will be, if this is possible with the railways, why is pooling necessary with the steamship lines? The Pennsylvania and the New York Central Railways are the strong lines operating between Chicago and New York. The Erie Railway is always thought of as one of the weaker roads, but the weaker road can live alongside of the strong road for the reason that on the line of all these roads between Chicago and New York are many prosperous towns which must ship their freight by the road on which it is located. So, after all, there is an enormous proportion of business of all of our railways that is noncompetitive. I do not know whether it is true now or not, but some years ago the statement was made to me that in the neighborhood of 90 per cent of the traffic of the Pennsylvania Railway originated on or was shipped to local noncompetitive stations on their line. The route between New York and Brazil or New York and the Caribbean district is not dotted with prosperous towns that originate business that is noncompetitive with the route of your competitor who is serving the same foreign countries, so, after all, all of the business is through business, and no shipper is going to patronize the weak line when he can throw his traffic to the strong line that will serve him more efficiently.

Arrangements that prevent discrimination and maintain the stability of rates is what shippers seek. It is difficult to maintain them unless some provision is made in order to take care of the disabilities of the weaker line. It does not necessarily require to be done by pools; it is not infrequently done by allowing the weaker line some differential rate, but the pool is the more effective instrument in

overcoming the weaker line's disabilities and maintaining the desired stability in rates.

I have read with particular interest the testimony of Mr. Story, of New Orleans, in regard to his venture into the Brazilian trade. In the first place, he was without experience in the business, and, so far as I know, his capital was limited. The whole project was poorly conceived for the reason that he chartered steamers at a very high charter rate, endeavoring to operate them in competition with regular lines who were not compelled to pay out a large profit to another owner for the use of the ship. Our own experience with chartered boats is that we invariably make losses with them, and if people of years of experience can not operate chartered steamers at a profit, I think there would be very little chance for Mr. Story to do so with profit. Running the line from New Orleans, I have no doubt he was able to fill the steamers outward without difficulty, but that territory offers largely the low grades of freight, like timber, oil, and iron products. With his high charter rates and his low character of cargo, there is a grave question in my mind that, if he had filled his steamers with coffee northbound, the results would not have been the same; his death, as it was, was quick and sudden, where otherwise it might have been a little longer and therefore a little more painful.

Agreements such as have already developed before you do prevent a novice from competing, but they do not prevent an experienced man with capital from walking in and breaking up any of these combinations. Give me sufficient money to build and operate a modern fleet of steamers and sufficient financial reserve and I believe I could break any combination of steamship owners that exists, and the only reason that some lines are in one trade and others in another is because the world is a very large place and no line attempts to go into trades indiscriminately when maybe their own trades that they have worked on for years offer just as good a field for development.

I hope I have been able to show, in a faint way, at least, that agreements and pools are, after all, not effective instruments of protection against any strong line or combination of capital that may wish to enter into a trade, but I would like to go a little further and show that without cooperation among steamship lines the United States would not secure the facilities in some portions of the world to compete with the foreign manufacturer or producer. I have particularly in mind the fact that up to two or three years ago there was no regular line of steamers running between the west coast of Africa and the United States, although both England and Germany maintain frequent, regular, and efficient services from their respective countries to that part of the world. What little business had been shipped between the United States and the west coast of Africa up to a few years ago was done by tramp ships or sailing vessels with no fixed freight rates or sailing dates—certainly not the kind of service necessary to the development of a new trade. Some of the prominent steamship lines in Germany clubbed together and determined to run a steamer regularly from New York touching at the principal ports on the west coast of Africa. The English lines were invited to join in this venture. We did this because, in the first place, we knew the service would run at a loss in its initial stages, and if we had plowed the original ground and lost a great deal of money and afterwards

made it prosperous the English interests would undoubtedly, with or without our consent, have walked in and shared the business with us. The result of this is that the combined English lines and the combined German lines are now running a joint service from New York. You will see by this cooperation that new facilities are being offered the American shipper to develop his trade. I do not know how the partners in this venture adjust the results of the steamers, which I am confident up to date are losses, but I rather suspect it is done by some sort of a pooling arrangement, just as any two individuals might go into a venture. They settle the results among themselves on some equitable basis.

From the questions which the members of the committee have asked witnesses who have been before them I think it may still be in the minds of some of the gentlemen that the foreigners operate lines of steamers from the United States in order that they may restrict the trade of the United States for the benefit of their own countries. In all my years of experience—and I am testifying under oath—I can not recall any correspondence or instructions from my principals abroad that our policy in the operation of any of our lines should be run on any kind of a basis that would suppress American trade to the advantage of the foreigner. In fact, viewing this thing from another standpoint, almost a diametrically opposite condition prevails. My company makes a specialty of doing what is known as a through bill of lading business to foreign ports not served by direct steamers from the United States and to take such cargo to remote places of the world. For instance, in connection with our own lines, radiating from Hamburg to ports of the world other than the United States, and also in connection with other German lines operating from Hamburg, we are in a position to name a rate from New York to practically every port in the world. Let me give a concrete example. There is quite a considerable amount of business shipped from the United States to the Oriental and Black Sea ports, such as Constantinople, Salonica, Batoun, Odessa, Novorosisk, but there is not sufficient to justify the establishment of regular lines direct to those ports. There are lines of steamers running from Germany, England, France, and Italy to these ports. The trans-Atlantic lines serving England, Germany, France, and Italy are all in competition for this trade. In order for us to meet the competition of others, whether it is on an agreed rate or not, necessitates as a rule our shrinking our regular rate between New York and Hamburg, and the connecting carrier from Hamburg on the Oriental and Black Sea ports joins us in a similar shrinkage. Now, if Germany were endeavoring to throttle the trade of the United States through the medium of her steamship lines, do you think it reasonable or likely that the two German lines that make this through-rate combination would accept a less freight rate that they gave to their own German exporters? Of course, we would justify our action before the German shipping public by stating that if we did not carry that cargo our competitors via Italy or via England would do so.

The example that I give in regard to the rates to the Orient and the Black Sea could be multiplied many times over in other trades we serve, but time does not permit my giving a history of them all. The best that I can do is to pick an example, which is done at random.

Take another case of a dissimilar character: The Island of Jamaica is a British colonial possession. Germany's trade with it is very small, yet by our Atlas Service running from New York we are serving Jamaica in competition not with the German but with the British exporter.

This winter our company is operating nine passenger cruises from New York and New Orleans to ports in the West Indies, Central America, the objective point with all of them being the Panama Canal. These ships, which are of a high type, are offering the American public an insight of the possibilities of trade development in our southern Latin Republics, where the German interests already have large trade. If the steamers of my company were being operated for anything other than for profit to themselves, they certainly would not be offering facilities to the American trade to develop business in a territory where the German exporter is already very strong. We are operating steamers to-day between New York and Italian ports, a thing in which Germany could have no interest.

And so on could I cite many other cases to refute the arguments that one foreign company that I know of at least is not running its steamers from the United States with the idea of throttling the foreign trade of this country.

My close association with the managers of other foreign lines leads me to believe that the situation is not dissimilar with them. If I am wrong in my deductions, the efforts to throttle American trade have certainly not been successful, for our Government records will show that our foreign trade is increasing each year by leaps and bounds and, measured in percentage, I think greater than the other nations.

My remarks up to the present moment have applied largely to the trade to the south of us. I wish now to touch more particularly upon our North Atlantic interests. In the testimony of Mr. Paul Gottheil, which was given week before last, questions were asked him which would indicate there is in the minds of this committee an idea that the lines running across the Atlantic to England and Continental Europe have parceled off the trade so that there is no competition between them. I can not answer for the westbound freight traffic, for the reason that we in America do not have jurisdiction. Our work in the handling of westbound cargo is entirely mechanical, such as delivering the freight, collecting the freight moneys, examining into claims, etc., but my company leaves to the management in New York the whole question of making rates on the eastbound traffic. They never attempt to dictate either our rates or our policies. They leave that entirely in our hands. I have every reason to believe that a similar situation exists with the management of other North Atlantic lines serving other countries, nor have I any information from my principals that any arrangement exists by which one prominent North Atlantic line will not interfere with the trade of another. Surely in my position as director of freight traffic I would know the existence of an agreement that would have a vital bearing on the branch of the business which I superintend.

I know of no arrangement that would prevent our operating a line of freight steamers from the United States, say, to Liverpool. We have no desire to enter that trade, because if we have ships for employment we prefer to develop the trades that we already have. It has been frequently commented upon that from the United States

North Atlantic ports there is but one regularly established line to Hamburg. This is easily explained, because in the North Atlantic our steamers are mostly the combination type; that is, carriers of both freight and passengers. No strictly freight ship could live against us, for the reason that we offer the shipping public a rate so much less than the ordinary freight ship. To make this point a little plainer, last winter the offerings of freight were considerably in excess of our tonnage. In order to properly serve the public we chartered steamers to lift the surplus. If I remember correctly, we chartered in the neighborhood of 35 steamers, and, with the exception of two, they were all operated at a very bad loss. When we come to the South Atlantic and Gulf ports, where we do not operate the combined type of freight and passenger steamer, but serve that section with strictly freight steamers, we have very considerable competition, and, with rare exceptions, we operate such steamers without any understanding with our competitors. No attempt is ever made with the lines operating between here and the different ports in Continental Europe to jointly agree on the rates for export freight, although nearly all of the continental ports are in competition with each other. Hamburg, Bremen, Antwerp, and Rotterdam are merely gateways for the interior of Europe, just as New York, Boston, Philadelphia, Baltimore, and New Orleans are all competitive gateways to the interior portion of the United States.

Often our attempts to advance rates when we think conditions justify it are made abortive because our nearest neighbor, the North German Lloyd to Bremen, refuses to advance its rate, and, were we to take independent action, the flow of the cargo could and would likely be diverted to the Bremen instead of the Hamburg gateway. In a similar manner our port of Hamburg feels the competition of Rotterdam and Antwerp.

Conditions governing one trade of necessity differ from those governing another. For instance, in the Brazil and Carribean district, the trade is conducted more or less on fixed tariffs that do not have day-to-day fluctuations. On the other hand, a large portion of the North Atlantic trade is not done on tariffs but on rates that fluctuate daily.

In reading the evidence already before you, I have noticed that your chairman concludes nearly every cross-examination with the request that the witness will please suggest any plan that he may have in mind for the proper regulation of the steamship lines engaged in our foreign trade. Our Government records, which show the enormity of the increase in our foreign business, should be testimony to the fact that the evils existing—if evils there are—have not been of sufficient importance to retard the growth of the business. In fact, the increase in our foreign trade has been phenomenal, especially in the last two or three years. I presume public opinion will require this commission to make some recommendation. I am just as much at a loss to make a suggestion of value as any of my colleagues who have testified before me. While I am at a loss to suggest something definite in the way of regulation, yet I have a positive opinion as to what this committee should avoid in their recommendations, and that is anything which prevents freedom of action on the part of the steamship lines in making rates to fit the conditions, which change almost daily. I would certainly not recommend any law that would compel us to

file rates with a commission similar to the Interstate Commerce Commission, which rates could not be changed except on a given notice.

The ocean transportation is governed by world's conditions, not local conditions. The products of the United States are in competition with the products of all other countries. Take, for instance, the article of grain, which is now moving abroad in very large quantities. If our rate was fixed by the commission and could not be changed without notice it would certainly hamper the sale of our product abroad. Suppose our rate was filed to-day with the commission at 10 cents a bushel from New York to Hamburg. The price of wheat in Russia or the Argentine and the cost of transportation from these countries to Hamburg might be such as to permit a grain exporter to sell his product on a 9-cents-a-bushel rate, if that rate were obtainable. During the time necessary to file notice with the commission for us to change our rates, conditions might be such that he could pay no more than 8 cents a bushel, and both he and we would be so hampered that he would be at a serious disadvantage with his foreign competitors.

On the other hand, if the rate of 10 cents per bushel permitted his selling freely, how would it be possible for us to stop his selling when there was a question of limitation of room? It is not possible for the commission to state what percentage of our space we shall give to grain, what space to cotton, and to manufactured goods, because a steamer must be loaded with some regard to her stability. If the rate of freight on cotton is set by the commission at a certain figure, it might be a very remunerative figure for one line and an unremunerative one for another, because one line may need the light freight and another may not need it. I do not think that any law with sense or justice in it could be formulated that would restrict the operations of the so-called regular lines and not be made applicable to the tramp. The tramp ship is a ship that comes to-day for her cargo, receives it, delivers it, and then may go off into another part of the world and not return to the American waters for maybe a year or more. How it is possible for anyone to control that element of shipping is beyond me.

It must not be overlooked that the so-called regular lines from the United States to Great Britain and continental Europe are not the only mediums for the transportation of our exports. A great many articles of a bulky nature are carried by these tramps. I have in mind that much cotton is moved in full cargoes by ships not belonging to any of the regular lines and a similar situation exists with the movement of southern timber, of phosphate, wheat, corn, oats and coal. During times of depression, which are not existing to-day, the number of tramp ships engaged in the American business is not greater for the reason that the regular lines can, as a rule, take care of the offerings and they nearly always operate at a lower rate than the tramp, as our experience when chartering tramp steamers has usually shown.

I do not envy the responsibility on the shoulders of this committee, because I am positive that any attempt to regulate the rates and conditions under which the foreign lines are now doing their business may cause a serious setback to our export trade. No law could possibly be passed that could compel us to operate a stated number of steamers, and, unless we could transact our business with

the freedom that we believe is necessary and with the assurance of profitable results, the United States exporter might find himself in an unhappy position, with low and favorable rates but not sufficient bottoms to allow him to export his goods. The agitation now before this committee is not a new subject, as the evidence before the English Royal Commission on shipping lines, put in evidence by Mr. Gottheil last week, will show you. It does seem to me that the nations whose steamers are affected should have some voice in any attempt at regulation. They, in a sense, are equally interested with us, because their products are shipped to the United States and it does seem impossible to regulate at only one end of the line. The commissioners appointed by the Sovereign of England to go into this question as to the affected English interests spent slightly over three years in making their investigations. It is true that their report was a divided one, which as far as any attempt at regulation was concerned left matters exactly where they were before the commission was formed. No doubt the British Government would welcome a revival of the subject. The other two large maritime powers are Germany and France, all having an equal interest in this matter, and my suggestion would be that this committee recommend to Congress that a commission be formed to carefully study this complex subject and if necessary visit abroad in order to study this question from the foreigners' point of view.

In conclusion, I am pleased to have this opportunity to revert to certain statements made at the time the so-called Humphreys bill was first presented to Congress. In behalf of my own company I wish to deny reports that were made at that time that this company at least has any affiliations with American railways. The only agreement with a railway to which we are a party was put in evidence by Mr. Gottheil when he gave his testimony last week. That arrangement was merely that we may be assured of terminal facilities at the Virginia ports. At many of the North Atlantic ports we operate at the different railway terminals, but we have no arrangement with any of them by which we have exclusive privileges. Assertions have been made that through rates were made on certain articles to the interior of the United States, which were less than the rates on the same article from the United States port of entry to the same point in the interior. I have no hesitancy in saying that no such state of affairs exists. It is true that our American railways do make, in the case of some articles, special rates on import and export goods, but never so much below the domestic rate that a through rate from Europe could be made less than the domestic. In a like manner, it is true that the German railways name special rates for export and import goods, but those rates, as in America, are open to ships flying any flag.

Statements have been made that we influence the routing of freight by the railroads. This is not a fact, except at very rare intervals. When the steamers pointed toward one of our American ports may have a surplus of cargo, we may endeavor to divert new offerings of freight to another port, in order that there may be no delay in the cargo. Such things are done in the interests of the shippers, and, while one port may suffer a little to-day, to the advantage of its sister port, yet to-morrow the situation may be reversed.

The CHAIRMAN. We will take a recess until 2 o'clock, when your examination, Mr. Sickel, will continue.

AFTER RECESS.

At the expiration of the recess the committee assembled.
The CHAIRMAN. You may proceed.

STATEMENT OF MR. W. S. SICKEL—Continued.

Mr. SICKEL. Mr. Chairman, before this goes out of my mind, do I understand that Mr. Beck is discharged, and that he may go home?

The CHAIRMAN. Yes.

Mr. SICKEL. But, of course, he is subject to your call at any time you want him.

The CHAIRMAN. Mr. Sickel, you were present and heard the statement made by Mr. Beck this morning with reference to the Atlas service. You may just state briefly if his statement with reference to that service is correct, as you understand it.

Mr. SICKEL. It is.

The CHAIRMAN. Is there anything you care to add to his statement?

Mr. SICKEL. Not that I can think of now, but possibly during your cross-examination some thought may come to me, and I will tell you then.

The CHAIRMAN. Are there any understandings or agreements whether in writing or not, covering the Atlas Lines other than have been furnished to the committee by Mr. Beck?

Mr. SICKEL. None, that I can recall, sir.

The CHAIRMAN. Your line operates to the west coast of Africa?

Mr. SICKEL. Yes.

The CHAIRMAN. What other lines operate to the west coast and to what ports?

Mr. SICKEL. Well, as I said in my opening statement, there is the combination of German and English lines operating the service from New York to the west coast of Africa.

The CHAIRMAN. Name those lines.

Mr. SICKEL. On the German end of it is the Bremen-Africa Lines, the Woermann; on the English end of it, I can not recall all the lines, but the principal one is the Elder-Dempster—but I can supply you with the names of all of the lines that operate that service.

The CHAIRMAN. Will you supply that information to the committee?

Mr. SICKEL. Yes, sir.

The CHAIRMAN. Are there any other lines than those you have mentioned?

Mr. SICKEL. No regular lines. Might I not put in evidence the statement that I have covered that question in my opening remarks.

The CHAIRMAN. What we want is to get the facts in detail here somewhat. You have mentioned the companies that are engaged in that trade—both from German and English ends—from New York to the west coast of Africa. But what I want you to state briefly is what agreements or understandings your line has with any other

steamship line or lines as regards either the freight or passenger traffic to and from the United States and the west coast of Africa?

Mr. SICKEL. We have no agreements with any lines other than those with which we now are working in cooperation.

The CHAIRMAN. I understand. They, however, are the only lines that operate to the west coast of Africa?

Mr. SICKEL. That is correct. We inaugurated that service about two years ago. Before that time there was no communication except by irregular departures of tramp vessels.

The CHAIRMAN. Is there any written agreement between those lines with reference to the freight or passenger traffic to and from the United States?

Mr. SICKEL. It is all operated as one line.

The CHAIRMAN. Do you wish us to understand that these lines have been consolidated or that while they are separate entities they are operated under an agreement which makes them to all intents and purposes a unit?

Mr. SICKEL. To all intents and purposes a unit?

The CHAIRMAN. Yes.

Mr. SICKEL. Now, Mr. Chairman, if you will permit me, I think I ought to be permitted to read that part of my opening address which already covered that.

The CHAIRMAN. I do not care to have you repeat that. I am asking you a very plain question. You say they are operated as one line?

Mr. SICKEL. Absolutely.

The CHAIRMAN. Very well. What I wanted to know is, has one company bought the others out; is there a consolidation, or, while they are separate lines, are they operated under an agreement which makes them a unit?

Mr. SICKEL. They are operated under an agreement which makes them practically a unit, but I think it is only fair to bring into evidence here that this was an initial service.

The CHAIRMAN. That is in the record already.

Mr. SICKEL. And the combination running was a unit from its very inception.

The CHAIRMAN. I understand that, too. Have you a copy of the agreement between these lines governing this service?

Mr. SICKEL. I have not and have never seen it.

The CHAIRMAN. Who would have the agreement?

Mr. SICKEL. That would be in Hamburg.

The CHAIRMAN. In whose possession?

Mr. SICKEL. Well, as far as our interests are concerned, it would be in Hamburg.

The CHAIRMAN. With some representatives of your company there?

Mr. SICKEL. Yes.

The CHAIRMAN. And who would they be?

Mr. SICKEL. They would be the directors of our company in Hamburg.

The CHAIRMAN. I presume a copy of that agreement also would be in London, with the representatives there of each line?

Mr. SICKEL. No doubt.

The CHAIRMAN. You say you have never seen it?

Mr. SICKEL. I have never seen it.

The CHAIRMAN. And have no knowledge of its contents?

Mr. SICKEL. None whatever.

The CHAIRMAN. Do these companies also operate under the same agreement in the traffic from ports on the West Coast of Africa to the United States?

Mr. SICKEL. Exactly; they do.

The CHAIRMAN. Tell the committee what provisions are contained in that agreement, as you understand it, in its practical operation. Does it include the deferred rebate provision?

Mr. SICKEL. No; not to my knowledge. I am quite sure it has no deferred rebate to it, but I will make a note of that and advise you specifically on it.

The CHAIRMAN. And does it contain a provision for pooling?

Mr. SICKEL. I can not tell you that, because I did not have the agreement. I have never seen it.

The CHAIRMAN. I supposed you might have some information on it.

Mr. SICKEL. No; I have no information.

The CHAIRMAN. Will you undertake to secure a copy of that agreement?

Mr. SICKEL. I will request our people in Hamburg for a copy of it.

The CHAIRMAN. Has your line ever undertaken trade to the south and east coast of Africa?

Mr. SICKEL. From New York?

The CHAIRMAN. Yes.

Mr. SICKEL. Not during my connection with the company, and as far as I know, never.

The CHAIRMAN. Is there any understanding or agreement between your company and those companies that do operate to the south and east coast of Africa that you will keep out of that territory and they, in turn, will keep out of the territory where you operate?

Mr. SICKEL. I can not state it positively, but I am under the impression that our company in Hamburg has an agreement with the Hansa Line, which is another German corporation, by which we will not operate steamers from the United States to the south and east coast of Africa.

The CHAIRMAN. What lines operate from New York to Genoa?

Mr. SICKEL. The Hamburg-American Line, the White Star, the North German Lloyd, the Anchor Fabre, the Lloyd Sabaud, the Navigazione Generale Italiana, the Lloyd Italiana.

Dr. HUEBNER. The Sicula Americana.

Mr. SICKEL. The Sicula Americana.

Dr. HUEBNER. The Cunard Line.

Mr. SICKEL. To Trieste.

Dr. HUEBNER. The Austro-Americana.

Mr. SICKEL. Pardon me, did not the chairman say to Italy-- Genoa and Naples?

Dr. HUEBNER. Yes.

Mr. SICKEL. The Cunard operates to Trieste, which is in Austria.

Dr. HUEBNER. And it does not operate to Italy?

Mr. SICKEL. I do not think so, except possibly on their cruising trips, not a regular line.

Dr. HUEBNER. The Austro-Americana likewise does not operate to Italy?

Mr. SICKEL. The Austro-Americana Line touches at Naples, I think, on its way to Trieste.

The CHAIRMAN. Is your company a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States and Genoa and Naples?

Mr. SICKEL. The westbound business does not come under our jurisdiction, but I am informed there is an arrangement among the different lines serving Italy on westbound traffic.

The CHAIRMAN. Both freight and passenger traffic?

Mr. SICKEL. Both freight and passenger.

The CHAIRMAN. As to the westbound traffic, did you ever see that agreement?

Mr. SICKEL. I have never seen it.

The CHAIRMAN. Would you be able to identify it if you saw a copy?

Mr. SICKEL. No, sir; I could not identify it if I saw it.

The CHAIRMAN. But your information is that one exists?

Mr. SICKEL. Yes.

The CHAIRMAN. Is there any agreement with reference to the east-bound ports?

Mr. SICKEL. There is no written agreement; but the agents of the lines meet at irregular intervals in an attempt to agree on rates.

The CHAIRMAN. Well, do they agree on rates?

Mr. SICKEL. Well, sometimes a movement is made by one line to advance the rate, and because the others feel that it should not, the advance is not made.

The CHAIRMAN. In other words, the rates are not increased except by consent, and they are not reduced except by consent of all the members?

Mr. SICKEL. That is practically so, except that there is no obligation on the part of any of those agents in respect to any tariff that may be printed.

The CHAIRMAN. You mean to say that if one or the other of the lines were to depart from that understanding there would be no legal obligation?

Mr. SICKEL. No legal—there might be something of a moral obligation.

Mr. HARDY. In other words, it is a gentleman's agreement between you?

Mr. SICKEL. A good deal in the same sense that the railroads agree on rates.

The CHAIRMAN. And on the traffic westward there is more than a gentleman's agreement; there is a written agreement?

Mr. SICKEL. I have every reason to believe that is so.

The CHAIRMAN. Of course, I will say to Mr. Sickel that we have a copy of the Mediterranean freight traffic agreement from ports mentioned westward.

Mr. SICKEL. Yes.

The CHAIRMAN. Signed by all the lines to whom reference has been made, and setting out in detail just what the obligations of the sev-

eral lines are. Is it your understanding that that agreement includes deferred rebate provisions?

Mr. SICKEL. Which agreement?

The CHAIRMAN. The one west bound?

Mr. SICKEL. I can not speak with any knowledge of that west-bound agreement; I have never seen it.

The CHAIRMAN. Would you undertake to ascertain if that is true?

Mr. SICKEL. I will ask my principals.

The CHAIRMAN. In the course of the transaction of the business in your office in freight and passenger traffic, has anything come under your observation on which you could base an opinion as to whether or not there is a deferred rebate agreement between the lines?

Mr. SICKEL. West bound?

The CHAIRMAN. Yes.

Mr. SICKEL. There is nothing in the handling of the business west-bound in our office at New York that would lead me to believe that there is.

The CHAIRMAN. If there were such an agreement as that, and deferred rebates allowed, they would be adjusted and paid either in Hamburg or in London; they would not be adjusted and paid here at any event, would they?

Mr. SICKEL. The natural place for them to be paid would be in Italy; certainly not in New York, because if a deferred rebate system exists on the westbound Italian traffic, it is with the shipper, not the consignee, and therefore the rebate would be paid to the shipper who is located in Italy.

The CHAIRMAN. Yes; it might be adjusted at the home offices in London and Hamburg, but it would be paid in Italy?

Mr. SICKEL. Yes.

The CHAIRMAN. Speaking about what has been termed a gentleman's agreement, as I understand it, that includes all the lines that have been mentioned here as included in the westbound-traffic agreement? In other words, the same lines are embraced in that traffic agreement in the eastbound business as in the westbound?

Mr. SICKEL. Mr. Chairman, my knowledge of the westbound agreement is so vague that I could not answer that question.

The CHAIRMAN. Are the six Italian lines in that arrangement?

Mr. SICKEL. You know more of that agreement than I do—west-bound.

The CHAIRMAN. No; what lines are included in this gentlemen's agreement in the eastbound traffic?

Mr. SICKEL. So far as I know, all the lines running regularly to the Mediterranean.

The CHAIRMAN. That is what I understood. That includes the Fabre Line?

Mr. SICKEL. On eastbound traffic I think they respect those rates. I am not sure; but I will make sure of that and inform you.

The CHAIRMAN. We would be glad if you would do that. Will you state whether or not you have conferences in New-York?

Mr. SICKEL. We meet at irregular intervals to discuss rate conditions to the Mediterranean.

The CHAIRMAN. Where are the westbound rates, both passenger and freight, made?

Mr. SICKEL. I should say in Italy.

The CHAIRMAN. And where are the eastbound rates made?

Mr. SICKEL. The eastbound rates are made in New York, at the judgment of the representatives of the lines, without any dictation from abroad as to what the rates shall be.

The CHAIRMAN. They are made on this side?

Mr. SICKEL. Yes.

The CHAIRMAN. Does your line operate to any Mediterranean ports other than Genoa and Naples?

Mr. SICKEL. From the United States?

The CHAIRMAN. Yes.

Mr. SICKEL. No other ports in Italy.

The CHAIRMAN. In the Mediterranean?

Mr. SICKEL. Occasionally steamers may go into the Sicilian ports, but only at rare intervals.

The CHAIRMAN. Is there any agreement between your line, the Cunard Line, and the Austro-Americana Line that you will not touch at the same ports that they touch?

Mr. SICKEL. Not to my knowledge.

The CHAIRMAN. Who would have knowledge of that fact, if it is a fact?

Mr. SICKEL. Our principals in Hamburg.

The CHAIRMAN. Would you mind asking them what the facts are in that regard?

Mr. SICKEL. I will do so. Will you repeat, please, what the three lines were?

The CHAIRMAN. The Cunard Line, the Austro-Americana, and your line is the third.

Mr. SICKEL. Do you not want to include the North German Lloyd in it? They are a prominent factor.

The CHAIRMAN. All right. You may tell the committee, if you will, if there is any agreement between your line and the French Line that you will keep out of the French-Mediterranean ports?

Mr. SICKEL. You mean Marseilles and Bordeaux?

The CHAIRMAN. Yes.

Mr. SICKEL. I know of no such agreement.

The CHAIRMAN. At what ports in Europe does your line touch from New York?

Mr. SICKEL. Hamburg, Genoa, and Naples.

The CHAIRMAN. What points in Europe does the North German Lloyd touch?

Mr. SICKEL. Bremen, Genoa, and Naples.

The CHAIRMAN. What line touches the ports in Holland?

Mr. SICKEL. From where?

The CHAIRMAN. Anywhere.

Mr. SICKEL. The Holland-American Line and the Uranium Steamship Co.

The CHAIRMAN. What is the Uranium?

Mr. SICKEL. The Uranium is under the English flag, controlled by Canadians.

The CHAIRMAN. Do you call it a Canadian line?

Mr. SICKEL. Mr. Chairman, will you permit me to make a remark in line with your interrogations? You asked me only from New

eral lines are. Is it your understanding that that agreement includes deferred rebate provisions?

Mr. SICKEL. Which agreement?

The CHAIRMAN. The one west bound?

Mr. SICKEL. I can not speak with any knowledge of that west-bound agreement; I have never seen it.

The CHAIRMAN. Would you undertake to ascertain if that is true?

Mr. SICKEL. I will ask my principals.

The CHAIRMAN. In the course of the transaction of the business in your office in freight and passenger traffic, has anything come under your observation on which you could base an opinion as to whether or not there is a deferred rebate agreement between the lines?

Mr. SICKEL. West bound?

The CHAIRMAN. Yes.

Mr. SICKEL. There is nothing in the handling of the business west-bound in our office at New York that would lead me to believe that there is.

The CHAIRMAN. If there were such an agreement as that, and deferred rebates allowed, they would be adjusted and paid either in Hamburg or in London; they would not be adjusted and paid here at any event, would they?

Mr. SICKEL. The natural place for them to be paid would be in Italy; certainly not in New York, because if a deferred rebate system exists on the westbound Italian traffic, it is with the shipper, not the consignee, and therefore the rebate would be paid to the shipper who is located in Italy.

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The CHAIRMAN. Speaking about what has been termed a gentleman's agreement, as I understand it, that includes all the lines that have been mentioned here as included in the westbound-traffic agreement? In other words, the same lines are embraced in that traffic agreement in the eastbound business as in the westbound?

Mr. SICKEL. Mr. Chairman, my knowledge of the westbound agreement is so vague that I could not answer that question.

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Mr. SICKEL. On eastbound traffic I think they respect those rates. I am not sure; but I will make sure of that and inform you.

The CHAIRMAN. We would be glad if you would do that. Will you state whether or not you have conferences in New York?

Mr. SICKEL. We meet at irregular intervals to discuss rate conditions to the Mediterranean.

The CHAIRMAN. Where are the westbound rates, both passenger and freight, made?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Philadelphia to Ham-

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Baltimore to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Newport News and Norfolk to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. And from Savannah to Hamburg?

Mr. SICKEL. The Hamburg-American, Strachan, Gans, and occasionally the Holland-American Line.

The CHAIRMAN. What lines operate from New Orleans to Hamburg?

Mr. SICKEL. The Hamburg-American, Vogemann, occasionally Gans, and up to a recent date the South Atlantic Steamship Co.

The CHAIRMAN. What lines operate from Galveston to Hamburg?

Mr. SICKEL. The Hamburg-American Line and Wilkinson-Beale & Co.

The CHAIRMAN. These others you mentioned are what you would ordinarily call tramp carriers? They have no regular service, have they?

Mr. SICKEL. To which lines do you refer?

The CHAIRMAN. Other than the Hamburg-American.

Mr. SICKEL. Most all of the lines running to Hamburg from the United States with us are in competition by what we call loading brokers, who charter steamers and operate them under a line name. Very few of our competitors own steamers.

The CHAIRMAN. They have no regular service?

Mr. SICKEL. Not regular; but frequent.

Mr. HARDY. Do you mean to all the ports of the United States as well as New York, that these other lines are of the character of which you speak?

Mr. SICKEL. Do you mean to ports other than Hamburg?

Mr. HARDY. No. You said all the lines in competition with you between the United States and Hamburg were of this irregular kind. Do you mean that to apply to the other ports as well as to New York?

Mr. SICKEL. There are no lines from New York in competition with us. That is, to the port of Hamburg.

Mr. HARDY. That is what I am talking about. The only lines then between the port of Hamburg and the United States, either New York or elsewhere, are your line and irregular service by other lines between some of the ports of the United States and Hamburg?

Mr. SICKEL. Not from Europe, but to Europe.

Mr. HARDY. These ships that come from Savannah, New Orleans, and Galveston, going to Europe, to Hamburg, do they not come back from Hamburg to those ports?

Mr. SICKEL. No; not as a rule.

Mr. HARDY. There is no back-and-forth line except yours?

Mr. SICKEL. Operating in both directions ours is practically the only one. The reason for that—do you wish to know the reason for it?

York. There are many ports in the United States from which there are services, and if you wish a comprehensive idea of the services to the different foreign ports you should ask me the question of what the lines are from the other ports.

The CHAIRMAN. I will say to you very frankly that what I have in mind is this: The ports in Europe—for instance, Hamburg—is reserved exclusively to the Hamburg-American Line; the port of Bremen for the North German Lloyd Line; Holland to the Dutch Line, and the ports in Great Britain to the British lines. That was the thought that I had in mind, and that I was undertaking to develop. Is not that the fact?

Mr. SICKEL. I have absolutely no information which confirms what you say.

The CHAIRMAN. I understood, in a general way, that was what Mr. Gottheil said when he was on the stand.

Dr. HUEBNER. No; he did not say that.

The CHAIRMAN. He was talking about the facts. I am not talking about whether or not there was any design in it. But you say your company trades to Hamburg, and what lines trade to Bremen?

Mr. SICKEL. Where from?

The CHAIRMAN. New York—the United States.

Mr. SICKEL. Ah, that is the point that I have been trying to make. You say "United States" now. Shall I take Hamburg first?

The CHAIRMAN. Yes; Hamburg first. Go ahead and take it from the United States, if you prefer that more comprehensive term.

Mr. SICKEL. Yes; I think so. To the port of Hamburg from the United States there operates the Hamburg-American Line, the Holland-American Line occasionally from Savannah, Strachan & Co. from Savannah load steamers to Hamburg, the Gans Steamship Line from south Atlantic and Gulf ports, the Vogemann Line from south Atlantic and Gulf ports to Hamburg, Langbehn Bros. from Galveston and Port Arthur, the South Atlantic Steamship Co. from New Orleans to Hamburg, Wilkinson-Beale from Galveston to Hamburg, the Mobile Liners Co. occasional steamers to Hamburg, and there is a cotton-seed meal exporter located at Port Arthur, Tex., who has recently established a line of his own to Hamburg. Those are the people that are engaged in the Hamburg trade as far as I can recollect it.

While we are not in the Rotterdam trade, as near as I can recall the lines operating from the United States to Rotterdam are as follows: Holland-American Line from New York, Boston, Philadelphia, Newport News, Savannah, and New Orleans; the Cosmopolitan Line from Philadelphia, the Uranium Steamship Line from New York, Strachan & Co. from the South Atlantic ports, Gans from the South Atlantic and Gulf ports, and Vogemann from the South Atlantic and Gulf ports. I am quite sure there are others but I can not recall them at the moment.

The CHAIRMAN. I will pursue my inquiry as I began. I understood you to say that no other line than the Hamburg-American operates from New York to Hamburg?

Mr. SICKEL. That is correct.

The CHAIRMAN. What lines operate from Montreal to Hamburg?

Mr. SICKEL. The Canada Line.

The CHAIRMAN. And what lines operate from Boston to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Philadelphia to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Baltimore to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Newport News and Norfolk to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. And from Savannah to Hamburg?

Mr. SICKEL. The Hamburg-American, Strachan, Gans, and occasionally the Holland-American Line.

The CHAIRMAN. What lines operate from New Orleans to Hamburg?

Mr. SICKEL. The Hamburg-American, Vogemann, occasionally Gans, and up to a recent date the South Atlantic Steamship Co.

The CHAIRMAN. What lines operate from Galveston to Hamburg?

Mr. SICKEL. The Hamburg-American Line and Wilkinson-Beale & Co.

The CHAIRMAN. These others you mentioned are what you would ordinarily call tramp carriers? They have no regular service, have they?

Mr. SICKEL. To which lines do you refer?

The CHAIRMAN. Other than the Hamburg-American.

Mr. SICKEL. Most all of the lines running to Hamburg from the United States with us are in competition by what we call loading brokers, who charter steamers and operate them under a line name. Very few of our competitors own steamers.

The CHAIRMAN. They have no regular service?

Mr. SICKEL. Not regular; but frequent.

Mr. HARDY. Do you mean to all the ports of the United States as well as New York, that these other lines are of the character of which you speak?

Mr. SICKEL. Do you mean to ports other than Hamburg?

Mr. HARDY. No. You said all the lines in competition with you between the United States and Hamburg were of this irregular kind. Do you mean that to apply to the other ports as well as to New York?

Mr. SICKEL. There are no lines from New York in competition with us. That is, to the port of Hamburg.

Mr. HARDY. That is what I am talking about. The only lines then between the port of Hamburg and the United States, either New York or elsewhere, are your line and irregular service by other lines between some of the ports of the United States and Hamburg?

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Mr. HARDY. These ships that come from Savannah, New Orleans, and Galveston, going to Europe, to Hamburg, do they not come back from Hamburg to those ports?

Mr. SICKEL. No; not as a rule.

Mr. HARDY. There is no back-and-forth line except yours?

Mr. SICKEL. Operating in both directions ours is practically the only one. The reason for that—do you wish to know the reason for it?

The CHAIRMAN. Yes; I was going to ask why it was there were no other regular lines like, for instance, the North German Lloyd or the White Star Line, or the Cunard Line operating from Boston, New York, Philadelphia, Baltimore, or Newport News to Hamburg?

Mr. SICKEL. To Hamburg only you are talking about now, are you not?

The CHAIRMAN. I am talking about Hamburg.

Mr. SICKEL. We operate from New York and Philadelphia what we call a combination steamer. That is, freight and passenger. We can operate those steamers for freight more economically and cheaper than a freight ship. That is, we can afford to carry the freight on a combination steamer cheaper than we could on a freight steamer, and an ordinary freight steamer can not compete with us in that section of the United States—what we call the North Atlantic. You will notice from my previous statement that in the South Atlantic and in the Gulf we have our competition, and severe competition. That is because we operate from those ports a strictly freight steamer. I gave you in my opening address the statement that last winter there was an overflow of freight, so that we had to charter steamers. We operated practically all of those chartered steamers at a very bad loss, showing that the price for tonnage was such that our rates were lower than the tramp was willing to accept the freight for. That is an explanation of why we have no competition in the North Atlantic, but we have competition in the South Atlantic and the Gulf.

The CHAIRMAN. Is that the only explanation? Is your type of steamer any different from those of the North German Lloyd in the European trade?

Mr. SICKEL. The Hamburg-American Line is 65 years old. They started to build up a trade between New York and Hamburg. The North German Lloyd is also a very old company, but not quite as old as ours. They began their operations from Bremen. Each has developed its own particular port. We belong to Hamburg and the North German Lloyd belong to Bremen. There is great rivalry between the two ports, and naturally we would want to develop our port rather than to go in and develop the port of our neighbor who is our rival.

The CHAIRMAN. What I am getting at is simply this: Is there any understanding or agreement between your line and the North German Lloyd Line by which the Hamburg-American will keep out of Bremen if the North German Lloyd will keep out of Hamburg?

Mr. SICKEL. There is such an agreement as far as certain ports are concerned—certain American ports.

The CHAIRMAN. What ports are those?

Mr. SICKEL. North of Savannah, but from Savannah south we are free to load steamers for Bremen as the North German Lloyd would be free to load steamers for Hamburg.

Mr. HARDY. Then, in the cotton trade from Galveston, for instance, either line could load for either city?

Mr. SICKEL. We could load to Bremen.

Mr. HARDY. And they to Hamburg?

Mr. SICKEL. Yes.

The CHAIRMAN. Now, how many companies are involved or are parties to that agreement?

Mr. SICKEL. Only the two.

The CHAIRMAN. Are any of the British companies parties to that agreement?

Mr. SICKEL. Not to my knowledge; I have never heard of their being parties to any such agreement.

The CHAIRMAN. How does it happen, then, if it is a coincidence, that the Hamburg-American does not enter any ports of Holland or ports in France or ports in England?

Mr. SICKEL. I can only answer that question in a negative way by stating that I know of no agreement that would prevent any one of those lines going into the port of another other than the agreement, as I have just stated, regarding the two German lines. But I think the whole thing has been a natural evolution. If we had surplus tonnage that we wanted to use, there would be no inducement for us to go into Liverpool. We have many ports of our own that need developing. We would develop our own trade.

Mr. HARDY. In other words, you would not go out and hunt a strong man to tackle?

Mr. SICKEL. That may be another reason. Besides, if you are looking for new fields to develop, maybe fields that are already covered, it is done in a time of depression, and we would not benefit ourselves very much in the time of depression by running steamers to Liverpool.

The CHAIRMAN. Is not the reason suggested by Judge Hardy the true one—I do not say it is the only one—that each of these lines is strongly intrenched in its own territory, and there is, to say the least of it, a gentleman's understanding and agreement between you that if you keep out of their ports they will keep out of Hamburg?

Mr. SICKEL. I have never heard of such an agreement, but I think maybe Judge Hardy has the right idea. You do not want to buck somebody who is already well intrenched, but there is no agreement to my knowledge.

Mr. HARDY. Ordinarily you do not need any agreement to enforce that condition.

Mr. POST. How long has this agreement between the Hamburg-American and the North German Lloyd been in existence?

Mr. SICKEL. I can not recall that.

The CHAIRMAN. Now, in the N. D. L. V. passenger agreement, to which contract the Hamburg-American and the Holland-American Lines, the North German Lloyd Line, and the Red Star Line were the signatories, there appears a trade agreement in articles 31 and 32, as follows: Article 31 provides, "All the lines bind themselves that their vessels in the trade with the United States of North America and Canada shall not call, either outward or inward, at any home or adjacent ports from or to which the vessels of any of the other lines are already sailing."

Now, do you know whether or not that agreement is still in force? I will say to you frankly we have a copy of that agreement.

Mr. SICKEL. You have it, and I have never seen it.

The CHAIRMAN. But what we want to know is whether it is still in force.

Mr. SICKEL. I can not tell you that, because I do not know. But will you please recollect that is with regard to passenger business—at least, I so believe it to be—while I am discussing freight.

The CHAIRMAN. Article 31 provides that by the words "in the trade," as those words appear in the agreement, is understood among the continental lines as passenger, mail, and freight business.

Mr. SICKEL. This is the first time I have ever known such a thing existed, but that is very natural, because passenger business is not in my jurisdiction.

The CHAIRMAN. You may state whether or not the route from the port of Boston to Hamburg has been set apart to the Hamburg-American Line by agreement with the North German Lloyd or any other line or lines.

Mr. SICKEL. I know of no agreement to that effect.

The CHAIRMAN. Is there any understanding?

Mr. SICKEL. No understanding.

The CHAIRMAN. Either in writing or verbal, to that effect.

Mr. SICKEL. As a matter of fact, I can not believe any agreement exists among the large lines who are members of that passenger agreement to the effect that they can not come into Boston—that those who are not there now can not come into the port—because within the last two or three years the Holland-American line established a service from Rotterdam to Boston which was really detrimental to our interests.

The CHAIRMAN. How long was that service continued?

Mr. SICKEL. How long was it continued?

The CHAIRMAN. Yes.

Mr. SICKEL. I should think they have been in there three or possibly four years.

The CHAIRMAN. They are in there now?

Mr. SICKEL. They are in there now. That is a freight service.

Mr. HARDY. That was a line from Boston to Rotterdam?

Mr. SICKEL. Rotterdam to Boston. Then that line loads its east-bound freight, its export freight, at Boston, and goes to Philadelphia to conclude its loading, and then home to Rotterdam. I make the statement that the entry of the Rotterdam line into the Boston trade is very much in competition with us, although they are serving Rotterdam and we are serving Hamburg, for the reason that most of the business that goes to Europe goes to the interior, and the different gateways, such as Hamburg, Rotterdam, Bremen, and Antwerp, are all in competition with each other, and we have no agreement on eastbound freights among those lines.

Mr. HARDY. The agreement you have, however, is for the North German Lloyd not to engage in transportation from any port on the United States coast north of Savannah?

Mr. SICKEL. North of Savannah?

Mr. HARDY. North of Savannah—between Hamburg and those ports?

Mr. SICKEL. Hamburg and those ports.

Mr. HARDY. But the North German Lloyd holds you to a similar agreement not to engage in any trade between Rotterdam and those ports, doesn't it?

Mr. SICKEL. Bremen, you mean?

Mr. HARDY. Between Bremen and those ports north of Savannah, Ga.? In other words, the agreement is mutual?

Mr. SICKEL. The agreement is reciprocal.

Mr. HARDY. Yes.

Mr. SICKEL. That is, in these ports north of Savannah we shall not go to Bremen, and in a similar manner they shall not go to Hamburg. But that does not make us cease to compete on our freight, because all of the freight that goes to Bremen is not all consumed in Bremen, and freight that goes to Hamburg is not consumed in Hamburg. Those two ports are mere gateways to the interior.

Mr. HARDY. I see the point you are making—that both these lines can come into New York or Boston to take goods back to their respective ports?

Mr. SICKEL. Yes.

The CHAIRMAN. To be distributed from those points?

Mr. HARDY. To the interior points?

Mr. SICKEL. That is quite so, but they are still in competition and in severe competition, because the goods are destined for the interior, and any low rate made by the North German Lloyd to a point in the interior via their gateway, which is Bremen, has a depressing effect upon our rate via Hamburg to the same interior part of Europe.

Mr. HARDY. That is the point. I do not know whether you read it or not, but Mr. Gottheil testified very strongly and very forcibly as to competition going to the territory supplied by the two gateways that made competition between the two lines.

Mr. SICKEL. Oh, we have no understanding between us on that business.

Mr. HARDY. As to what your rates shall be?

Mr. SICKEL. As to what our rates shall be.

Mr. HARDY. There is no understanding, then, that the rate from New York to Hamburg and the rate from New York to Bremen shall bear any articular relation to each other?

Mr. SICKEL. None whatever.

The CHAIRMAN. You mean to say that the rate from New York to Hamburg on the same commodity is not the same as the rate from New York to Bremen?

Mr. SICKEL. Very rarely are they the same. As a rule, Bremen takes a cheaper rate than Hamburg.

The CHAIRMAN. And do I understand you also to say that the rate from New York to an interior point in Germany, via Hamburg, is not the same as the rate from New York to the same point via Bremen?

Mr. SICKEL. Sometimes they are and sometimes they are not, dependent upon whether or not one wishes to meet the competition of the other. Let me cite a case: Suppose the rate by the North German Lloyd via Bremen to Berlin on sewing machines was 50 cents a hundred pounds, we will say. Our combination via Hamburg would make a rate of 60 cents per 100 pounds; that is, the rail rate from Hamburg to Berlin, added to our ocean rate on the sewing machines, would make 60 cents per 100 pounds.

We know the rate existing by the North German Lloyd. If we want the business, we reduce our rate to 50 cents. Often a reduction of that kind would make our ocean rate so low that we would prefer to let the North German Lloyd have the cargo.

The CHAIRMAN. What I understand you to say is that you have no joint rates, the North German Lloyd and the Hamburg American, through your several gateways to the principal interior points in Europe.

Mr. SICKEL. Yes. That statement is correct, that we have no agreement with the North German Lloyd, that their rates on certain articles to Bremen shall be the same as our rates to Hamburg on the same commodities.

The CHAIRMAN. From—

Mr. SICKEL. From New York, or from any north Atlantic port that we are mutually serving.

The CHAIRMAN. But each line, yours from New York to Hamburg and the North German Lloyd to Bremen, fixes its own rate?

Mr. SICKEL. Without regard to the other.

The CHAIRMAN. And I believe, as some witness testified, such a rate as the traffic will bear. Now there is no competition, in other words, in the rate from New York to Hamburg?

Mr. SICKEL. Quite correct.

The CHAIRMAN. Nor from New York to Bremen?

Mr. SICKEL. Quite correct.

The CHAIRMAN. Or Amsterdam?

No answer.

Mr. HARDY. Does it not occur to you that if the rates to Hamburg are generally higher than those to Bremen from New York that it will result in giving Bremen an advantage over Hamburg in the New York trade?

Mr. SICKEL. The reason for the analogy is this, that Hamburg serves a more northern country than Bremen. Every point is not competitive through the two gateways; many are. We serve a denser territory, a more prolific territory, than the North German Lloyd.

Mr. HARDY. The territory that you mainly serve through Hamburg, then, is not in competition with Bremen?

Mr. SICKEL. A great many points are not, and many are.

Mr. HARDY. I used the word "mainly."

Mr. SICKEL. Might I not make that plain to you by reversing the thing? Boston, New York, Philadelphia, Newport News, and New Orleans are all competitive gateways on west-bound business for goods moving to our central west, say the Mississippi Valley; but if a man wanted to ship to a point in the northern part of Louisiana, he would naturally select New Orleans, he would not select Boston. But when you come more to the center the more all of those American or United States gateways compete with each other. Now, the principle on the business to Europe is not dissimilar. Does my simile make that clear to you, sir?

Mr. HARDY. I think you make it clear; you do to me, at least.

Mr. SICKEL. Yes. But we have no agreement with the Lloyd as to what their rate shall be to Bremen; nor have we any agreement with the Red Star Line serving Antwerp as to what their rate shall be.

Mr. HARDY. Still, what I said is evidently true, that if the rates to Bremen are much cheaper than the rates to Hamburg, as to the territory which is competitive between those two cities for which both of them are seeking the trade, that will give Bremen the benefit of the wider circle, will it not?

Mr. SICKEL. The whole thing is governed largely by the law of supply and demand. I said generally the Bremen rates are cheaper. I have seen many times when they are higher than the others.

Mr. HARDY. It was on that word I was basing my question. I say "generally" cheaper.

Mr. SICKEL. Generally; yes. But if you will permit me to conclude that: Bremen is a very large cotton market, which is not true of Hamburg, and when cotton is moving very frequently the rates of the North German Lloyd are apt to be as high and many times are higher than ours. As a matter of fact, Bremen comes a little more in competition with the gateways of Rotterdam and Antwerp than it does with Hamburg, just as goods coming into this country through the gateways of Boston and Baltimore and the intermediate coast cities would be more in direct competition than they would be with the gateway of New Orleans, although you come to a certain central part of the country where they all come in competition.

The CHAIRMAN. But you take the competitive points in Europe in regard now to eastbound traffic. Are not the rates the same whether you go through the gateway of Bremen or Hamburg from New York?

Mr. SICKEL. Most decidedly no. They will differ very materially; that is, the rate through from New York to that interior point of Europe.

The CHAIRMAN. That is, I mean a competitive point in Europe?

Mr. SICKEL. I am talking about a competitive point.

The CHAIRMAN. Berlin would be a competitive point, would it not?

Mr. SICKEL. Berlin would be a competitive point from Hamburg, Bremen, Antwerp, and Rotterdam.

The CHAIRMAN. Do they operate on a differential system?

Mr. SICKEL. I do not understand your question.

The CHAIRMAN. Do they operate on a differential system?

Mr. SICKEL. You have merely repeated the question, Mr. Chairman. I do not understand what you mean.

The CHAIRMAN. Is there an agreement between you by which one line may charge a greater or a less rate to the competitive point?

Mr. SICKEL. None whatever.

There are absolutely no agreements among the four prominent continental lines as to what rates each shall name to his individual port.

The CHAIRMAN. Then, if you find the other line making a cheaper rate to Berlin and it is traffic which you desire to control or share in, you meet that rate, do you?

Mr. SICKEL. If it is a fairly remunerative rate and we need the cargo, we would; otherwise, we would let it go to the other man.

Mr. HARDY. Practically, do you not get nearly the same rate to Berlin over those several different routes from New York?

Mr. SICKEL. Not from New York. The railroad—

Mr. HARDY (interposing). I do not mean by the railroad; I mean goods shipped from New York to Berlin get practically the same

rate whether they go by your line or by the North German Lloyd or Rotterdam routing or Antwerp, do they not?

Mr. SICKEL. No, sir; that is not so.

Mr. HARDY. If they do not, why do they not all go by the cheapest route by one of you; all of the goods to Berlin, for instance, from New York?

Mr. SICKEL. Let me take my sewing machines as an example again.

Mr. HARDY. Yes; I want to know if a man has 500 sewing machines and finds he can get them to Berlin a little cheaper by the North German Lloyd than by the Hamburg-American, will he not send them by the North German Lloyd?

Mr. SICKEL. Very naturally, but our soliciting forces know what the rate of the North German Lloyd is, they can figure it out very easily, and from Hamburg we have to pay maybe in some cases to Berlin a higher rate than the Bremen Line does from Bremen.

Mr. HARDY. That is your interior rate?

Mr. SICKEL. Our interior rate. If we need cargo we would shrink our ocean proportion so as to enable us to meet the competition through.

Mr. HARDY. That is getting to the very point I am making. Do you not make the rates the same?

Mr. SICKEL. No; only when the cargo is desirable to us; but there are lots of times when we can get other cargo that pays us better than this rate on sewing machines to Berlin, so we will let them have it. We then do not attempt to compete.

Mr. HARDY. As a matter of practice, do you generally make your rates so as to give you the same through rate?

Mr. SICKEL. I would say, as a matter of practice, we do not.

Mr. HARDY. Then, as a matter of practice, most of the freight from New York to Berlin must go via Bremen, as that is the cheapest rate?

Mr. SICKEL. Of course, as I stated in this simile of the sewing machines, I do not know whether the figures or the competition, as mentioned, are absolutely as I have stated. I am merely drawing a comparison of how for goods to the interior one port can be out of line with the other, because they have no understanding between them.

Mr. HARDY. I am getting at the same point, perhaps, that you are, except that it seems to me that to reach a definite conclusion, if you did not in the main and generally meet the prices so as to get your goods to Berlin via your route as cheap as they went via the North German Lloyd, that in the main the North German Lloyd would carry the Berlin consignments from New York. That would be a matter of natural consequence, would it not?

Mr. SICKEL. Maybe I can make this clear to you by giving you an incident that occurs with me every few days. The man who has charge of our through freight department will come to me and say, "Mr. Sickel, the North German Lloyd is naming a rate of 50 cents per 100 pounds on sewing machines from New York to Berlin." Our combination of our rate and the rail rate makes 60 cents. In order to meet that competition it would be necessary to make the same rate; that means that we shrink our ocean rate 10 cents per hundred thousand.

Mr. HARDY. I understand that explanation you gave a moment ago.

Mr. SICKEL. Pardon me just a moment. Well, I will say to my man: "Do you think that under the general conditions of our business, that we are justified in cutting our rate to meet this competition? Are not our steamers running full with other cargo that pays you more money than taking these sewing machines at this figure?" He will have to admit, yes. Then I say: "We will not meet the rate." In the reverse sometimes I will ask him the question: "Is the condition of the business and the rates being paid us on other classes of cargo so good that we can afford to refuse this?" And he will say, "No; our offerings of cargo are not very large." Then I will say: "Meet them," and we are doing this without any understanding with our competitor.

Mr. HARDY. Now we understand each other this far; I know, I understand it that far with you. The question I asked was, as a general thing do you meet the competition or as a general thing do you decline to meet it? What is your practice?

Mr. SICKEL. Mr. Hardy, I can not answer that question yes or no, because many times we do, and many times we do not. It depends very largely on the condition of the business.

Mr. HARDY. But can you not say what generally is the case, whether you most generally or most frequently do meet it or do not meet it?

Mr. SICKEL. To answer that truthfully I would have to go over my records, don't you know, to see, because the conversation, such as I have repeated to you that occurred with the men serving under me, are occurring every few days, and I can not recollect how many times I have told them to meet it and how many times I have told them not to meet it.

Mr. HARDY. What I was getting at was just simply to know whether as a matter of practice a merchant would be wise to inquire the through-rate prices of more than one line, or whether he would be justified in just taking the first line that comes and getting its rate?

Mr. SICKEL. Oh, he searches every line, from the German Baltic to the French border, to find which line is the cheapest.

Mr. HARDY. And the main point is, his search is worth while, is it?

Mr. SICKEL. Why, certainly.

Mr. HARDY. It pays him to do it, does it?

Mr. SICKEL. He finds that to-day maybe we are the cheap line and when he comes a month hence he will find we are the high line.

Mr. HARDY. That is the condition I want to find—if it was true that a merchant was really earning his salt when he went around trying to find the cheap line.

Mr. SICKEL. That is the condition of the fact. That does mean real competition, it seems to me. We think we have terrible competition.

Mr. HARDY. I am trying to work it out, but I was afraid the competition was going to vanish when we got into that territory.

Mr. SICKEL. No; it does not. Now, because we were having freight offering to us a little more freely to Hamburg some year or so ago than was offering to the other continental gateways we decided to put up our rates on lard, of which there is a large movement to the Continent of Europe, without regard to the fact that no advance had been made by the lines serving the other gateways. We seemed to get plenty of lard at the higher rate, and I presume those rates had

been in effect probably a year when one of the large importers in Hamburg went to our people with a statement showing how, on the old basis of rate, as compared with Antwerp and Rotterdam, the port of Hamburg had gotten—the port of Hamburg as a gateway had gotten—a certain percentage of the business, but because I had advanced this rate to Hamburg I had caused much business to move via the Antwerp and Rotterdam gateways, of which I was unconscious.

Mr. HARDY. In other words, he showed that his territory had been circumscribed by your high rates?

Mr. SICKEL. I had gotten my rates so much over parity of the other gateways that I was forcing the business to the other gateways and I did not know it. Now, that is business not sold at a through rate from New York to the interior, but is sold, delivered locally, to the different continental gateways.

Mr. HARDY. That is the port-to-port sale?

Mr. SICKEL. The port-to-port sale; yes.

Mr. HARDY. They distribute from the receiving port?

Mr. SICKEL. And the man who purchases distributes it himself. Just the reverse on the westbound business; a man in Chicago does not necessarily buy his goods delivered in Chicago; he may buy them delivered in Boston, New York, or New Orleans. He studies those interior rail rates out himself.

Mr. HARDY. In other words, a good business man keeps his eyes open, does he not?

Mr. SICKEL. Well, he ought to.

Mr. POST. If he does not he will not be in business very long.

The CHAIRMAN. Is there any agreement between your lines as to minimum rates?

Mr. SICKEL. Do you mean—I want to be perfectly clear just what your question is. Do you mean that we will agree with the North German Lloyd what their minimum rate shall be to Bremen and ours to Hamburg—that they shall be the same?

The CHAIRMAN. Yes.

Mr. SICKEL. And likewise with the other continental ports?

The CHAIRMAN. Yes.

Mr. SICKEL. There is no such agreement.

The CHAIRMAN. Is there any agreement between you that there is a certain rate below which neither of the lines will bid for traffic, neither to these gateways nor to any interior points in Europe?

Mr. SICKEL. We have no such agreement.

The CHAIRMAN. I have heard it said recently that the Holland-American and the Austro-Americana Lines have been taken over and are now owned by the Hamburg-American Line. What do you know about that?

Mr. SICKEL. The information I give you on that is extremely vague, because I do not know. I know only by rumor.

The CHAIRMAN. What is that?

Mr. SICKEL. What is that rumor?

The CHAIRMAN. Yes.

Mr. SICKEL. It is that the North German Lloyd, the Hamburg-American, and the International Mercantile Marine Co. own 51 per cent of the stock of the Holland-American Line.

The CHAIRMAN. Those lines jointly?

Mr. SICKEL. Those lines jointly; yes.

The CHAIRMAN. Well, what do you say with reference to the Austro-Americana?

Mr. SICKEL. My information on that is more vague than it is on the Holland lines, but I believe at one time our principals had a financial interest in the Austro-Americana Line, but that it was afterwards canceled and some arrangement made by which they paid each other a small sum of money in lieu of the interest that might be earned on the investment. Now, I wish to make it perfectly clear to you, gentlemen, that that is simply rumor, and I have never had anything authentic to base that upon.

The CHAIRMAN. Mr. Sickel, you expected to stay over until tomorrow, anyhow?

Mr. SICKEL. I am subject to your orders.

The CHAIRMAN. I understood you to say you had permission to come here and stay?

Mr. SICKEL. Yes.

The CHAIRMAN. Very well, then, we will now adjourn until tomorrow morning at 10.30 o'clock.

Thereupon, at 3.50 o'clock p. m., the committee stood adjourned until to-morrow, January 23, 1913, at 10 o'clock a. m.

THURSDAY, JANUARY 23, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Stone, Post, Faison, Humphrey, and Stevens.

The CHAIRMAN. Mr. Sickel was requested to appear again this morning, but I am informed he received a message yesterday evening that his child had been severely injured and he was compelled to go home. He will appear at any time hereafter that may suit the convenience of the committee.

I desire to place in the record a communication from Mr. J. J. Slechta, general agent of the Lloyd Brasileiro, of date January 9, 1913.

The communication referred to was marked "Exhibit No. 60," January 23, 1913, and is as follows:

EXHIBIT No. 60.

LLOYD BRAZILEIRO, *New York, January 9, 1913.*

Hon. J. W. ALEXANDER,

Room 279, House Office Building, Washington, D. C.

DEAR SIR: While in the committee room on Tuesday in response to an inquiry from a member of your committee I agreed to furnish a list of proposed sailings from Rio de Janeiro and Santos to New York. I regret that from the available data it is impossible for me to make this complete. The very fact that such is the case pretty thoroughly establishes the fallacy of contentions which were made by witnesses before the committee to the effect that Lloyd Brasileiro steamers were avoided for the reason that vessels of the other lines alone supplied regular sailings. If such were the case, their sailing dates would be known in New York. I would suggest that New York agents of the conference lines who are called before the committee be asked when on the stand to give lists of sailings to New York and New Orleans and then asked to say how long after those dates their vessels would probably sail.

The only vessels sailing on a regular schedule to the United States are the so-called mail boats of Lamport & Holt, whose advertised sailings appear in the inclosed clipping, marked "No. 1." As for the sailings of Lamport & Holt freight vessels—which, as I told the committee, carry most of the coffee taken by that line—and the vessels of the Prince Line and the Hamburg-South Ameri-

can Line they sail on no more regular schedules than do those of our line. Of course their aggregate sailings are more numerous than ours, but we have as many sailings as any of the three lines forming the conference, outside of Lamport & Holt mail boats. I mean, of course, sailings to New York only. In proof of that statement please note list of our intended sailings during the next few weeks. The first two named vessels are already in Brazilian ports, the next two are on their way there from New York, the next is loading in this harbor, and the last two named are en route to New York from Brazil, both in ballast:

Christian Knudsen, ready to load at Santos, January 10.

Tocantins, ready to load at Santos, January 25.

Comeric, ready to load at Santos, February 12.

River Clyde, ready to load at Santos, February 28.

Tweeddale, ready to load at Santos March 15.

Purus, ready to load at Santos March 27.

Tapajoz, ready to load at Santos April 8.

A steamer, ready to load at Santos April 24.

The actual detention of these steamers in the port of Santos will depend upon the amount of cargo which they take on for New York, at the end of which time they proceed to Rio de Janeiro, if any cargo is reported as offering, and after taking such cargo proceed to New York.

The force of all this is principally to show that the excuse given on the stand by Mr. Purcell for not giving us cargo was not the real reason—that is, that our company could not provide sufficiently frequent sailings to take care of their business. We could take every bag they have to offer and deliver it with satisfaction to all of their customers, since we are in a position to issue bills of lading on coffee during first and second halves of each month.

Allow me further to suggest that there is another very potent reason for all coffee importers to make use of the rebate. Such firms as Hard Rand & Co. buy coffee very largely on commission for interior roasters. They charge them for the net cost plus gross freight plus their commission, and when the rebate is paid they presumably pocket the same as a net profit over and above commissions. Personally I have no doubt that this aggregate rebate is sufficient to pay all or most of their operating expenses in conducting this purely commission business. Would it not be advisable to summon Mr. Isreal, say, of the firm of Leon Isreal & Co., Wall Street, and Mr. Arndt, another employee of Hard Rand & Co.?

With reference to the operation of a general syndicate of interests in the Atlantic Ocean transportation business, a recent development will be of interest to your committee. We have sent vessels whenever sufficient cargo offered to the ports of Parahyba, Natal, Pernambuco, and Macelo, in Brazil, in addition to our regular service, thus providing an inlet for American manufactures into the first two named ports, where the only other competition is that of the Harrison Line from Great Britain. Heretofore these ports have not been touched by the Booth Line. It happens that as a result of the general situation vessels which we have sent to the ports named, usually once in six weeks, are the only ones which we can operate profitably. Evidently our competitors have become cognizant of this situation, and if reports which we have obtained through our friends are to be relied upon the powers that be in Liverpool have prevailed upon the Booth Line as parties to the so-called "gentlemen's agreement" to carry out the full letter of their obligations to take care of northern Brazil ports and the Booth Line is now advertising a sailing for the two first-named ports.

Would it not be advisable to call Mr. Sanford, agent in New York for the Booth Line? Have him tell, among other things, why and upon whose instructions he is sending a vessel to those ports? Also, he ought to be able to say how rates from New York to the Amazon compare with those from Liverpool to the same ports.

I feel that I should not be doing my duty as an American citizen without attempting to more fully reply to the question asked of me on the stand as to the remedy for the present situation, regardless of any interest my company may have in the issue. I wish to do that because I feel that I appeared at somewhat of a disadvantage in making statement along that line Tuesday, since I did not expect to give such an opinion at that time.

First of all, permit me to express my conviction that any remedy which is an efficient one must be constructive and not merely a palliative. It is my firm conviction, after a study of American interests involved covering the last six years, that any attempt to extend the application of our legislation to foreign-

owned ocean transportation mediums beyond our immediate borders will work irreparable harm to American commerce. We should be merely cutting off our noses to spite our faces, since we should drive foreign tonnage from our ports to other parts of the world.

I mean no discourtesy when I say that the responsibility for the present distressing situation rests unmistakably upon our Congress and through it upon our people. We have for more than half a century allowed considerations for the shipbuilding industry and for the welfare of merchant seamen who do not exist to outweigh a thousand-fold more important considerations for the development of our foreign commerce and through its influence for the proper development of our natural resources and our domestic commerce.

Let Congress wipe the statute books clear of all incumbrances to the development of a merchant marine. Let our investors purchase their vessels, or build them, if they wish, in the open competitive markets of the world. Let these vessels be manned by the cheap and efficient labor of the East Indies and China, as are many of those in the merchant marine of the other nations, particularly Great Britain. Highly efficient officers can readily be obtained who will adopt American citizenship, if they are not already citizens, and the extra pay we should have to pay them would be easily counterbalanced by the cheapness of the crews and by other considerations. Such a merchant marine can compete unaided with foreign companies. Our authority to control American owned and registered vessels would naturally be unquestioned, and the difficulties which now beset us would speedily disappear.

I do not believe that any other solution of the question would be either efficient or satisfactory in the premises. Any attempt of such a body as the Interstate Commerce Commission to regulate corporations over whom authority is largely vested in the nations under whose flags they operate would be beset with insuperable difficulties, the nature of which can only be appreciated by an experienced ocean transportation man, besides being certain to incur for this country diplomatic controversies of a serious nature. I do not believe that the occasion is one which warrants the flaunting of a red flag. The situation is one which demands, on the other hand, constructive statesmanship of the highest order, and certainly such statesmanship can not but appreciate the wholly archaic character of the legislation which has driven our flag from the high seas of the world and has thereby left us at the mercy of a powerful combination of foreign investors not amenable to our laws and desirous only of operating after a plan which will give them the largest net return upon their investment, regardless alike of the effect this may have upon our Nation's commerce or of any other nation, except in so far as the laws of their own country prevent them from discrimination against its citizens.

I am, sir, obediently, yours,

J. J. SLECHTA.

Also a communication from Mr. Paul F. Gerhard, of date January 22, 1913.

The communication referred to was marked "Exhibit No. 61," January 23, 1913, and is as follows:

EXHIBIT No. 61.

NEW YORK, January 22, 1913.

Hon. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.*

DEAR SIR: In connection with the complaint in the testimony of Mr. Slechta, agent for Lloyd Brazileiro, of exclusion from coffee transportation in consequence, as he intimated, of the operation of the rebates granted by the conference lines on exports of coffee from Brazil, I beg leave to submit a statement of the coffee brought from Brazil to New York by the Prince Line steamers during the years 1910, 1911, and 1912. This statement shows that the Prince Line steamers averaged between one-third and one-half of full cargoes during the three years mentioned, and confirms the statement produced by Mr. Gotthell, indicating that there is not sufficient cargo moving northward to provide anything like full cargoes for the return voyage of the ships that are necessary to take care of the southbound service in that trade. I shall be glad to have this statement included in the record as a part of my testimony.

Respectfully,

PAUL F. GERHARD.

Coffee brought from Brazil by the Prince Line steamers during the year 1910 to New York.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 11.....	Crown Prince.....	51,369	75,000	23,631
Feb. 18.....	Castilian Prince.....	6,500	52,000	45,500
Mar. 21.....	Corsecan Prince.....	27,951	62,000	34,049
Apr. 21.....	Grecian Prince.....	14,626	41,000	26,374
May 11.....	Black Prince.....	2,000	110,000	108,000
May 13.....	Castilian Prince.....	4,989	52,000	47,011
June 5.....	Crown Prince.....	15,932	75,000	59,068
July 7.....	Corsecan Prince.....	9,098	62,000	52,902
Aug. 9.....	Orange Prince.....	54,951	80,000	25,049
Aug. 15.....	Eastern Prince.....	39,576	80,000	40,424
Sept. 2.....	Scottish Prince.....	47,761	80,000	32,239
Oct. 4.....	Tudor Prince.....	66,183	110,000	43,817
Oct. 18.....	Asiatic Prince.....	79,745	80,000	255
Nov. 1.....	Corsecan Prince.....	19,960	62,000	42,040
Nov. 17.....	Eastern Prince.....	39,526	80,000	40,474
Nov. 29.....	Indian Prince.....	24,481	80,000	55,519
Dec. 10.....	Scottish Prince.....	36,135	80,000	43,865
Dec. 28.....	Orange Prince.....	66,426	80,000	13,574
		597,198	1,341,000	743,802

PAUL F. GERHARD.

Coffee brought from Brazil by the Prince Line steamers during the year 1911 to New York.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 12.....	African Prince.....	63,111	129,000	65,889
Jan. 20.....	Asiatic Prince.....	28,766	80,000	51,234
Feb. 3.....	Tudor Prince.....	23,694	110,000	86,306
Feb. 12.....	Eastern Prince.....	13,274	80,000	66,726
Mar. 16.....	Scottish Prince.....	33,063	80,000	46,937
Apr. 1.....	Indian Prince.....	36,039	80,000	43,961
Apr. 22.....	Asiatic Prince.....	33,318	80,000	46,682
May 1.....	Orange Prince.....	23,527	80,000	56,473
May 16.....	Eastern Prince.....	45,977	80,000	34,023
May 23.....	African Prince.....	21,265	129,000	107,735
June 8.....	Scottish Prince.....	7,555	80,000	72,445
July 10.....	Asiatic Prince.....	16,145	80,000	63,855
Aug. 2.....	Eastern Prince.....	30,719	80,000	49,281
Aug. 15.....	Indian Prince.....	20,244	80,000	59,756
Sept. 2.....	Orange Prince.....	46,669	80,000	33,331
Sept. 13.....	Scottish Prince.....	15,311	80,000	64,689
Oct. 8.....	Asiatic Prince.....	39,604	80,000	40,396
Oct. 23.....	African Prince.....	71,807	129,000	57,193
Nov. 8.....	Indian Prince.....	27,992	80,000	52,008
Nov. 26.....	Chinese Prince.....	75,257	124,000	48,743
Dec. 11.....	Eastern Prince.....	63,745	80,000	16,255
Dec. 18.....	Scottish Prince.....	68,906	80,000	11,092
		810,010	1,981,000	1,170,990

PAUL F. GERHARD.

Coffee brought from Brazil by Prince Line steamers during the year 1912 to New York.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 3.....	Asiatic Prince.....	33,686	80,000	46,314
Jan. 23.....	Siamese Prince.....	40,022	124,000	83,978
Feb. 9.....	Indian Prince.....	17,375	80,000	62,625
Feb. 24.....	Ocean Prince.....	63,760	128,000	64,260
Mar. 7.....	Eastern Prince.....	28,106	80,000	51,804
Mar. 23.....	African Prince.....	21,930	129,000	107,070
Apr. 8.....	Asiatic Prince.....	14,348	80,000	65,652
Apr. 26.....	Chinese Prince.....	54,425	124,000	60,575
May 7.....	Scottish Prince.....	25,713	80,000	54,287
May 24.....	Indian Prince.....	16,875	80,000	63,125
June 5.....	Eastern Prince.....	18,160	80,000	61,841
June 22.....	Siamese Prince.....	19,186	124,000	104,814
July 5.....	Asiatic Prince.....	27,429	80,000	52,571
July 24.....	Ocean Prince.....	53,021	128,000	74,979
Aug. 11.....	Scottish Prince.....	62,636	80,000	17,364
Aug. 27.....	Orange Prince.....	29,101	80,000	50,899
Sept. 2.....	Indian Prince.....	19,060	80,000	60,940
Sept. 26.....	Chinese Prince.....	30,013	124,000	93,987
Oct. 12.....	Portuguese Prince.....	65,185	125,000	59,815
Oct. 24.....	Asiatic Prince.....	75,000	80,000	5,000
Nov. 4.....	Eastern Prince.....	71,831	80,000	8,169
Nov. 21.....	Scottish Prince.....	74,371	80,000	5,629
Dec. 9.....	Ocean Prince.....	62,964	128,000	75,036
Dec. 23.....	Indian Prince.....	62,220	80,000	17,780
		976,486	2,334,000	1,367,614

PAUL F. GERHARD.

TESTIMONY OF MR. PHILIP A. S. FRANKLIN, VICE PRESIDENT OF THE INTERNATIONAL MERCANTILE MARINE CO., NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Franklin, you will please give us your address and your business.

Mr. FRANKLIN. My address is 9 Broadway, New York; vice president International Mercantile Marine Co.

The CHAIRMAN. Please tell the committee if the International Mercantile Marine Co. is an American corporation.

Mr. FRANKLIN. The International Mercantile Marine Co., the holding company, is a New Jersey corporation.

The CHAIRMAN. Who are the officers of that corporation?

Mr. FRANKLIN. The president at the moment is Mr. J. Bruce Ismay. He has resigned, and Mr. Harold A. Sanderson will be appointed in his place, to take effect on June 30.

The CHAIRMAN. And who are the board of directors of the International Mercantile Marine Co.?

Mr. FRANKLIN. I will read them to you: E. C. Grenfell, John I. Waterbury, the Right Hon. Lord Pirrie, George W. Perkins, Charles Steele, J. Bruce Ismay, Percy Chubb, E. J. Berwind, Harold A. Sanderson, P. A. B. Widener, Charles F. Torrey, J. P. Morgan, jr., and A. H. Gillard.

Mr. HARDY. I would like to have you indicate to us which of those are English and which Americans.

Mr. FRANKLIN. Mr. Grenfell, Lord Pirrie, Mr. Torrey, and Mr. J. Bruce Ismay and Harold A. Sanderson are the British members.

Mr. Waterbury, Mr. Perkins, Mr. Steele, Mr. Chubb, Mr. Berwind, Mr. Widener, Mr. Morgan, jr., and Mr. Gillard are the American directors.

Mr. STEVENS. Where is Mr. Ismay living?

Mr. FRANKLIN. Liverpool.

Mr. STEVENS. And his successor?

Mr. FRANKLIN. His successor is living at the moment in Liverpool, but will live in London. I will be very glad to leave a copy of our annual report with you, if it will be of any service to the committee.

The CHAIRMAN. Who is the chairman of the board of directors?

Mr. FRANKLIN. The chairman of the board of directors has been for a number of years Mr. C. A. Griscom. He died about three months ago, and no one has been selected to take his place.

Mr. HARDY. Is he American or English?

Mr. FRANKLIN. Mr. Griscom is an American, a Philadelphian.

The CHAIRMAN. Tell the committee what lines are owned or controlled in various ways by the International Mercantile Marine Co.!

Mr. FRANKLIN. The White Star Line, the Red Star Line, the American Line, the Dominion Line, and the Leland Line. That is all.

The CHAIRMAN. Did you mention the Atlantic Transport Line?

Mr. FRANKLIN. No, I did not; I overlooked that. The Atlantic Transport Line.

The CHAIRMAN. And the National Line?

Mr. FRANKLIN. The National Steamship Co. is controlled through shareholding by the Atlantic Transport Line. The National Line is really no longer a line; it only owns two ships—the National Steamship Co. (Ltd.).

The CHAIRMAN. Has the International Mercantile Marine Co. holdings in other companies that may not amount to control?

Mr. FRANKLIN. The International Mercantile Marine Co. has an important holding in the Shaw, Saville & Albion Co., which is a company operating from London to New Zealand. They also have about a 25 per cent holding in the Holland-American Line.

The CHAIRMAN. Is there any other?

Mr. FRANKLIN. They have a small holding in the Thompson Line, which runs from London to Australia. It is not anything like a controlling holding; it is a small share holding.

The CHAIRMAN. Of course I have the hearings of the *Titanic* disaster before me, but I would like for you to just state briefly the capitalization of your company. I have been asked about it time and time again, and I would like to get it accurately.

Mr. FRANKLIN. I think you mean, virtually, the capital stock of the companies taken together; is that right?

The CHAIRMAN. Well, yes.

Mr. FRANKLIN. In round numbers we have \$75,000,000 of bonds outstanding; we have \$60,000,000 of preferred and about \$60,000,000 common stock.

The CHAIRMAN. And \$52,000,000 of 4½ per cent bonds?

Mr. FRANKLIN. Eighteen millions of 5 per cent bonds, and the balance are underlying bonds.

The CHAIRMAN. They have nineteen millions, about, of 5 per cent bonds?

Mr. FRANKLIN. Yes.

The CHAIRMAN. And \$17,000,000 of underlying bonds?

Mr. FRANKLIN. That is about right.

The CHAIRMAN. And the total stock and bonded liability is about \$180,000,000?

Mr. FRANKLIN. That is about right, in round numbers.

The CHAIRMAN. And the company owns and operates a fleet of about how many vessels?

Mr. FRANKLIN. About 126 vessels, and about 1,185,000 tons of shipping.

The CHAIRMAN. It is doing a general transoceanic and transportation business throughout the world?

Mr. FRANKLIN. Yes. The tonnage is constantly changing as the old ships go out and the new ships come in.

The CHAIRMAN. The question has been asked frequently how much American capital is invested in shipping that is in the foreign trade and under foreign flags. Have you any accurate information on that subject?

Mr. FRANKLIN. I have not, Judge Alexander. I do not know whether we could work it out for you or not, but if you would like to have the information we will try to work it out. We would be very glad to do it.

The CHAIRMAN. Yes. I have been asked at different times, but did not know from whom I could get the information any more accurately than perhaps from you. I think a few days ago Mr. Henry Clews gave an estimate on it.

Mr. FRANKLIN. I would not like to give an estimate, because I think it ought to be gone over very carefully first.

The CHAIRMAN. Oh, yes.

Mr. HARDY. Along that line, I would like to call your attention to the fact that the Brooklyn Times on December 11, stated that when passing the Panama Canal bill last summer Congress inserted a clause admitting foreign-built vessels to American registry, but that not one application, etc., has been made for the admission to American register of foreign-built ships; and that there are now between 1,500,000 and 2,000,000 tons of foreign ships under foreign flags, which are owned by Americans: Would you think that was possibly correct?

Mr. FRANKLIN. Well, I think this, that the Americans would practically control easily 1,500,000 tons of foreign shipping.

The CHAIRMAN. Not what they control, but this says they own that many ships.

Mr. FRANKLIN. It is very difficult to say where the actual ownership, for the sake of argument, of the I. M. M. Co. is; but the I. M. M. Co. is controlled here, and therefore controls that situation. That is the point.

The CHAIRMAN. In other words, if American capital does not own ships directly, it controls them?

Mr. FRANKLIN. Yes; it controls them.

The CHAIRMAN. And you think a million and a half tons?

Mr. FRANKLIN. I should say yes; taking the United Fruit and others, but I would not like to make an estimate.

The CHAIRMAN. Would an estimate of the capital invested to the tonnage controlled give that?

Mr. FRANKLIN. Yes; by estimating the capital invested you could get the tonnage controlled I think fairly well.

Mr. WILSON. Mr. Chairman, in preparing this statement of capital invested, was it intended to include the bonds held abroad and bonds held here as well as the stock, both common and preferred.

The CHAIRMAN. Yes. What we want is to get as accurate information as possible as to the amount of American capital invested in shipping in the foreign trade.

Mr. WILSON. Mr. Chairman, the reason I asked the question is this. There might be some difference of opinion as to whether borrowed money—borrowed on bonds by Americans—American corporations—would be considered as foreign money invested in American shipping. It seems to me, however, that it should be admitted, because actually it is foreign capital invested in shipping. I do not know whether the Chair had that in mind when asking Mr. Franklin to submit that information.

The CHAIRMAN. Of course, we have to get as accurate information as we can on that subject, and I do not suppose it is possible to know just where the bonds are held. Are they registered bonds or payable to bearer?

Mr. FRANKLIN. They can be registered; but very few of them are registered. You could not possibly tell where the bonds were held. What I have in mind that the committee wanted from me was not the actual capitalization of the companies, but the amount of tonnage, in the first place, and the probable value of that tonnage.

The CHAIRMAN. Owned or controlled—

Mr. FRANKLIN. Owned or controlled by American companies. I was not going to try and bring forward the capitalizations of the various companies necessarily. That might not represent the value of their tonnage or it might.

Mr. HARDY. There would be no way, you think, of telling how much of bonds of foreign companies were held in this country or how much of domestic companies' bonds were held abroad?

Mr. FRANKLIN. I would know of no way of getting that information.

The CHAIRMAN. Referring to the White Star Line, please tell the committee in what trade the White Star Line is engaged.

Mr. FRANKLIN. The White Star Line's services are as follows: New York, Plymouth, Cherbourg, Southampton, eastbound; Southampton, Cherbourg, Queenstown, New York, westbound; New York, Queenstown, Liverpool, and vice versa; Boston, Queenstown, Liverpool; New York and Boston, both to the Azores, Madeira, and the Mediterranean; Liverpool to Australia; Australia to London; London to New Zealand; and Liverpool to New Zealand. I put all those services in our answer.

The CHAIRMAN. What other lines are engaged in the service eastbound from New York to Plymouth, Cherbourg, and Southampton?

Mr. FRANKLIN. The only other line which terminates in Southampton and is in that trade is the American Line; but the Hamburg and the North German Lloyd and the Holland American and all the other lines that go through the channel call at various channel ports—Plymouth, Cherbourg, Dover, Boulogne—so that they are all

practically in that trade. But the only line—the only two lines—terminating in Southampton are the White Star and the American Lines.

The CHAIRMAN. And the White Star and American are constituent companies, or lines, under the control of the International Mercantile Marine?

Mr. FRANKLIN. They are all subsidiary companies of the I. M. M. Co.

The CHAIRMAN. Are you familiar with the workings of the west-bound North Atlantic Freight Association?

Mr. FRANKLIN. I am generally, at least I have a good deal of general knowledge, regarding the westbound freight situation as a whole—trans-Atlantic; but it is not in any way controlled on this side, and we have no jurisdiction over it. Generally speaking, it is divided into four or five sections, you might call them: The Mediterranean section, the northern continent section, the London section, and the Liverpool section. The London and Liverpool are very similar, because they are both from the United Kingdom. Now, there are agreements, as we have reported, covering those various trades, but they have nothing to do with each other. There is no one agreement covering all the trades.

The CHAIRMAN. You mean to say they have no general conference or general secretary?

Mr. FRANKLIN. Secretary Peters, in Jena, as I understand it, is the secretary. That is, he keeps the records and the documents and circulates whatever is to be circulated, and deals with matters of that kind regarding all continental matters. And I think he acts similarly for the Mediterranean, but he does not have any capacity, as I understand it, for the United Kingdom lines.

The CHAIRMAN. Is it not to all intents a duplication of the organization that exists in the passenger service between those ports?

Mr. FRANKLIN. No, sir; it is not the same, because in the passenger service, in the third-class passenger agreement particularly, the British and the continental lines are parties to the same agreement and work under the same agreement. Now, that does not apply, to the best of my knowledge and belief, at all to any freight matters as a practical matter.

The CHAIRMAN. But these conferences are divided into two sections, as related to the freight traffic westward?

Mr. FRANKLIN. They are practically in three or four sections, because the London and Liverpool are domiciled in different places. The lines are different to some extent, not entirely, and so from my point of view practically in four sections—those we are referring to now.

The CHAIRMAN. Now, let us take up the London section first. What lines are in the service from this country to London—

Mr. FRANKLIN. From this country to London?

The CHAIRMAN. Yes; eastward.

Mr. FRANKLIN. That is eastward. Do you want to make that westward or eastward?

The CHAIRMAN. Make it westward first.

Mr. FRANKLIN. They are very much the same. The Furness Line to Newport News, the Philadelphia Transatlantic Line to Philadel-

phia, the Atlantic Transport Line to Baltimore, Philadelphia, and New York; the Leyland Line and the Wilson & Furness-Leyland to Boston; the Thompson Line to Portland when Montreal is not open and to Montreal when it is open; the Canadian Pacific Line; and the Allan Line. I think I have covered them all.

Mr. HUMPHREY. Are all these lines you name in one conference?

Mr. FRANKLIN. They are all different companies, except the Atlantic Transport and the Leyland Line.

Mr. HUMPHREY. I say, are they all in one conference?

Mr. FRANKLIN. They have, as I understand it, a minimum rate agreement in London on westbound rates.

Mr. HUMPHREY. All these lines are in conference also in the passenger traffic? I suppose you went over that before I came in.

Mr. FRANKLIN. I only touched a little upon the passenger traffic, the third class. I could explain that in a minute if you wish me to later. I could give you a general outline of the passenger agreement if you want it, but you have all the copies. I can give you a general outline if you want it.

The CHAIRMAN. Tell the committee just how these lines meet in conference. Give us the *modus operandi*—what they do—what are the subjects considered and determined.

Mr. FRANKLIN. Of course, as I have told you, I am not closely affiliated with the westbound situation at all, but my understanding is that these lines meet in conference in London, discuss all matters that pertain to bills of lading, receipts, documents, and things of that sort, and then they discuss their minimum rates and settle upon minimum rates.

The CHAIRMAN. When you speak of minimum rates, isn't that tantamount to saying they discuss and determine the rates that the several lines will charge for westbound freight?

Mr. FRANKLIN. It is absolutely so in the westbound business, because the steamers are never full—practically so.

The CHAIRMAN. What is the name of the secretary in that conference?

Mr. FRANKLIN. I have not any idea of the secretary in London, and, as a matter of fact, I do not think they have one. I think it is a very informal meeting.

The CHAIRMAN. Is this conference governed by any written rules?

Mr. FRANKLIN. That I could not tell you.

The CHAIRMAN. Could you ascertain?

Mr. FRANKLIN. I could.

The CHAIRMAN. Will you do so for the committee?

Mr. FRANKLIN. I will.

The CHAIRMAN. And furnish us a copy, if it is available?

Mr. FRANKLIN. I will try to.

The CHAIRMAN. Are there any lines operating from London to the United States not in this conference?

Mr. FRANKLIN. I do not think there are any lines operating from London to the United States that are not in this conference, unless it is possibly a line at times running into New Orleans, but they have not had much of a service for a long time. They work eastbound more than westbound.

The CHAIRMAN. Let us go to the Liverpool situation. What lines are in the service from Liverpool to points in the United States?

Mr. FRANKLIN. The Canadian Pacific lines, the Allan Line, the Warren Line, the Cunard Line, the White Star Dominion, the White Star, the Harrison Line. I think those are all that are regularly in the westbound trade.

The CHAIRMAN. Tell the committee if these lines are in the Liverpool conference.

Mr. FRANKLIN. I think you will find that all the lines that are in the conference, which is where they would meet to discuss bills of lading, receipts, and documents, and all matters of mutual interest of that kind, but all those lines are not necessarily a party to the westbound, or what I call the "west-bound agreement," for the sake of discussion, putting it clearly before you. The lines particularly in the west bound agreement are the Canadian Pacific, the Allans, the Cunard, the White Star, the Leyland, and I think the Harrison.

The CHAIRMAN. What ports do they cover in the United States?

Mr. FRANKLIN. They cover Portland, Boston, New York—I left out the American Line in both cases there; the American Line runs from Liverpool to Philadelphia—New York, Philadelphia—and also I left out the Johnson Line in both cases—Baltimore, Newport News, New Orleans, and Galveston.

The CHAIRMAN. Do they fix the rates in the same way that the rate is fixed in the London conference?

Mr. FRANKLIN. My understanding is that they fix the rates in the same way, but rates largely applied to the north Atlantic trade, which is where the services are regular weekly services.

The CHAIRMAN. Are they to New York?

Mr. FRANKLIN. Yes; from Liverpool to various points.

The CHAIRMAN. The minimum rate there is in effect absolutely, is it not?

Mr. FRANKLIN. Well, it is practically the same thing as applied to London. The ships are never full; they never have anything like a half cargo.

The CHAIRMAN. As I understand it, the London conference and the Liverpool conference both regulate or fix the rates from London and Liverpool to points on the north Atlantic?

Mr. FRANKLIN. Yes.

The CHAIRMAN. Is there any connection between the Liverpool and the London conference?

Mr. FRANKLIN. There is no direct connection between the two conferences. There may be some companies who are interested in both, but they are not working together from that point of view.

The CHAIRMAN. Some of these companies come from Liverpool and some from London. I presume that it is understood between them what ships shall sail from Liverpool and what from London—

Mr. FRANKLIN. I beg your pardon. I thought you had finished.

The CHAIRMAN (continuing). And they are acting in accord in that regard; then, they are in accord with reference to rates either from Liverpool or London?

Mr. FRANKLIN. I know of no arrangement whereby the companies are barred one from the other port. That particularly applies as to freight.

The CHAIRMAN. There is a common ownership in many of these lines that sail from Liverpool and London, is there not?

Mr. FRANKLIN. There is common ownership in several of the lines sailing from Liverpool and London.

Mr. HARDY. Does this holding company control both of them?

Mr. FRANKLIN. That is another—for instance, you have the Furness Line, which is interested in both the London and the Liverpool trade to Newport News. Then, you have the I. M. M., entering or controlling the Atlantic Transport Line, which runs from London to New York, and the White Star Line from Liverpool to New York.

Mr. HARDY. So that both these companies practically control or own both the London and the Liverpool lines to this country?

Mr. FRANKLIN. In a good many cases, but they may be competing companies. They are not necessarily all owned or held by the same company.

Mr. WILSON. Are the minimum rates from London and from Liverpool the same?

Mr. FRANKLIN. No; not necessarily.

Mr. WILSON. I mean in fact.

Mr. FRANKLIN. I do not think they are.

The CHAIRMAN. Does the Cunard Line own a controlling interest in the Allan Line?

Mr. FRANKLIN. The Cunard Line, as far as I know, has no interest whatsoever in the Allan Line?

The CHAIRMAN. What about the Warren Line?

Mr. FRANKLIN. The Warren Line is owned by Furness—Messrs. Furness, Withy & Co.—and is operated between Liverpool and Boston. There are some sailings to Galveston.

The CHAIRMAN. How about the Harrison Line?

Mr. FRANKLIN. The Harrison Line is owned by Mr. T. J. Harrison, of Liverpool, and is operated from Liverpool, as I understand, to Galveston, New Orleans, Mobile, and some other southern ports—very largely interested in the cotton trade.

The CHAIRMAN. Is the Thompson Line owned by another line?

Mr. FRANKLIN. The Thompson Line is practically controlled by the Cunard Line.

The CHAIRMAN. How about the Johnston Line?

Mr. FRANKLIN. The Johnston Line is owned by Messrs. William Johnston & Co., of Liverpool, and runs between Baltimore and Liverpool or Liverpool and Baltimore.

The CHAIRMAN. Is there any control by any one of these other lines?

Mr. FRANKLIN. Not that I know of or ever heard of.

The CHAIRMAN. What lines trade from Glasgow to the points in the United States?

Mr. FRANKLIN. The Allan Line and the Franklin Line are the most important, and practically the only people in the Glasgow trade. There is the Donaldson Line.

The CHAIRMAN. Well, are they also controlled by conference agreement?

Mr. FRANKLIN. I believe they are, but I know absolutely nothing about it. We are not in any way connected with the Glasgow business.

The CHAIRMAN. Is there not, practically, either by ownership or of interlocking directorates or stock ownership a practical control of all the lines from the United Kingdom to the United States?

Mr. FRANKLIN. Positively; no.

The CHAIRMAN. You said awhile ago that you would explain the passenger business briefly.

Mr. FRANKLIN. The passenger situation briefly is this: There are agreements in effect which affect the minimum rates on first and second class business, each steamer having a minimum rate, depending upon the class and type of the ship and the trade in which she is running. This applies both to the first and second class business. The minimum rate is only a basing rate. The steamers can charge as much more as they like, depending upon the facilities that they are offering to the passenger. It is exactly the same arrangement as the New York Central and the Pennsylvania operating between New York and Chicago have—a certain rate for their very fast trains, another rate for their slower trains; and the Lehigh Valley and the Erie Railroad have still a lower rate for their trains. There is nothing else in the first and second class passenger agreement of any importance, except the working of the details. As far as the rates are concerned, there is no other thing—there is no pool, to the best of my knowledge and belief, or anything of that kind. As far as the third-class business is concerned, there are really only two important groups—that is, the group that comes from the Mediterranean, which is a separate agreement; and then the northern lines, embodying the continental and the United Kingdom lines. That is an agreement which is practically a pool. It was found to be a necessary arrangement in order to preserve the smaller lines and give everybody a fair division of the traffic.

Mr. HUMPHREY. The rates on that traffic are fixed by Mr. Peters, are they not, twice a month?

Mr. FRANKLIN. No; the rates are not fixed by anybody. The rates are fixed, as I understand it, in this way: That if a line sees that it is carrying far in excess of what it knows it is entitled to, it has got to go up. That stops the movement over that line temporarily; that throws it to some other line. Now, that line, when its rates go up, no doubt advises—and I think it does advise—Mr. Peters it is raising its rates, and Mr. Peters then sends a circular to everybody interested that that line is advancing its rates.

Mr. HUMPHREY. Is not that written agreement of the conference the one in the possession of the Department of Justice? I remember reading it; but does not that agreement prescribe that the lines in the conference must report to Mr. Peters twice a month the freight rates and that he gives out then what the rate is and that no rate can be made without the consent of the lines?

Mr. FRANKLIN. You are talking about freight rates?

Mr. HUMPHREY. No; I am talking about the passenger rates.

Mr. FRANKLIN. You said "freight rates." That is not the way it is worked, because Mr. Peters has no authority over rates in any way, shape, or form. Mr. Peters is only a medium through which the lines communicate.

The CHAIRMAN. To whom?

Mr. FRANKLIN. To everybody interested; as, for instance, if any one line found it was overcarrying what it knew to be its right percentage in the trade, it necessarily would have to advance its rates. Now, it would advise Mr. Peters that it was advancing its rates. When it reduces its rates later on it would advise Mr. Peters of the same. Mr. Peters would then circulate that among all of the other lines, parties to the agreement; that is exactly it.

Mr. HUMPHREY. Has any line the authority to reduce rates without the consent of the others?

Mr. FRANKLIN. My understanding of it is—the agreement is all there—but if a line found itself falling behind it has the right to reduce its rate, because it makes no difference really to the other companies, because if it overcarries it has got to go up.

Mr. HUMPHREY. My recollection of that written contract and the specific provision in regard to that part is to this effect, that no line shall reduce its rate in order to gain its proportion; that is one of the things that is expressly prohibited.

Mr. FRANKLIN. That is right; below a certain scale.

The CHAIRMAN. Below the minimum?

Mr. FRANKLIN. If a line, for the sake of argument, had a rate to-day of \$38, and it found it is largely overcarrying and it advanced its rate to \$40, to temporarily stop overcarrying, they could then come back to \$38, you see.

Mr. HUMPHREY. If they were carrying too much at \$38 they could advance to \$40?

Mr. FRANKLIN. Yes.

Mr. HUMPHREY. But they are prohibited from reducing rates when falling below. If one line is falling below in its proportion of passengers, that line is prohibited from going below the minimum fixed in order to get its share?

Mr. FRANKLIN. Oh, yes. Let me put it in another way to you. The spirit of it is that the line that is overcarrying should advance its freight temporarily and let the other lines take the business. The spirit is not to reduce the rate.

Mr. HARDY. In other words, the interests of the companies have fixed a minimum rate, and if a company is ahead in its carryings, the practice is to take advantage of it and raise the rate, but never to cut below the minimum?

Mr. FRANKLIN. The lines would not cut below the minimum, as I understand it.

The CHAIRMAN. By virtue of the agreement, the immigrant business is apportioned between the several companies and the minimum rate fixed; and if one company carries in excess of its proportion, it would pay into the pool for the benefit of the other companies that carried less than their proportion?

Mr. FRANKLIN. Yes; that is quite right.

The CHAIRMAN. And to prevent paying back, they may increase the rates which, of itself, will force the traffic to the lines that have not gotten their proportion?

Mr. FRANKLIN. Yes.

Mr. WILSON. Suppose that the minimum rate was \$30 and you were all charging \$35, and one line was getting less than its proportion of the traffic, would that one line have the right to reduce below \$35 but not below \$30?

Mr. FRANKLIN. That is my understanding of it—but not below \$30. I think you have that agreement in your records. I was just trying to glance over the record to see if I could find the page.

Mr. HARDY. It is not to the interest of a company to reduce below this minimum anyhow, is it?

Mr. FRANKLIN. It is not to the interest of anybody to reduce below that minimum.

Mr. HARDY. For the simple reason that if they are not getting their share of the freight and passengers, they are getting their share of the money?

Mr. FRANKLIN. Yes; if they are not getting their share of the business they are getting their share of the money. The point I wanted to bring out was that if they are not getting their share of the business, although they are getting their share of the money, the man who is getting an excess of business is putting out more money and effort, and he is using that capital and getting no return on it.

Mr. HARDY. Because the man who is not getting his share of the traffic is getting his share in money?

Mr. FRANKLIN. That is right.

Mr. WILSON. What inducement would there be for a line that was not getting its share of the traffic at, say, \$35, when the minimum was \$30, to reduce its rate below that \$35? Would it not be to its interest to continue at the \$35?

Mr. FRANKLIN. The spirit of the agreement is that each line should carry its considered proper percentage of the traffic, you see; and if that line demonstrated over a period of years that it could not carry its percentage of the traffic, it may, a little later on, have to have its percentage reduced; and it is everybody's business to see that he carries his full percentage, and there is very active competition in the solicitation of the business always, in order to get that percentage.

Mr. HARDY. To prevent their being cut in the conference?

Mr. FRANKLIN. To prevent a cut being made later on. The agreement is not made forever. In other words, if you do not demonstrate you are entitled to that share of the business, you may have trouble in getting it in the future.

Mr. HARDY. But otherwise it is to the interest of the companies to carry fewer rather than more?

Mr. FRANKLIN. The thought is that it is to the interest of the company to carry exactly what they are entitled to.

Mr. HARDY. I understand exactly.

Mr. FRANKLIN. They think it is a fair division of the traffic—that is the point. Otherwise the new ships—the man who brings out a new ship would have his new ship filled up all the time and carry more than his fair share.

Mr. HARDY. In other words, he would be doing more than his part?

Mr. FRANKLIN. He would be getting it all and that would mean coming down to a question of a survival of the fittest.

Mr. HARDY. In other words, in your team you do not want one mule pulling all alone?

Mr. FRANKLIN. We do not want one mule pulling all alone; and we do not want one mule to enter the business that is more powerful than the other, but to get its full load.

Mr. HARDY. And you do not want to pay on the dead mule?

Mr. FRANKLIN. No; we do not want to pay on the poor mule.

Mr. AYRES. Mr. Franklin, if one line should carry for a series of years more than its share of the passengers, would it be possible for that line to have its percentage raised?

Mr. FRANKLIN. No; there is nothing in the agreement, as I understand it. The agreement is here. There is nothing in the agreement that would accomplish that. It would simply mean that that man who is overcarrying would have to pay over four pounds. If he gets over that, he would have to pay it.

Mr. AYRES. But if a line demonstrated, through a series of years, that it was capable of carrying more than the allotted proportion, it would have a chance of getting a larger share?

Mr. FRANKLIN. No; because the spirit of the agreement is that if a man is overcarrying largely he should raise his rate. If he does not raise his rate it is referred ultimately to arbitration and he is forced to raise. In other words, as I said before, if a man has the money to buy new ships he would ultimately get the whole trade.

Mr. STEPHENS. Mr. Franklin, do I understand you to testify that ships carrying short of their quota, continually, would be continued lower than their share?

Mr. FRANKLIN. No; I beg your pardon, I did not testify to that. I said that this agreement was not made forever, and that when they get together five or ten years from now, the lines that have not carried anything like their proper portion might have difficulty in making a bargain.

Mr. STEPHENS. And that is something to be afraid of; and if that is likely to happen, then they would be afraid if they had not carried their proportion?

Mr. FRANKLIN. This is passenger business.

Mr. STEPHENS. I meant the human freight. Does not the larger carrying line get the benefit, and is not the proportion given to it later on?

Mr. FRANKLIN. The other line, of course, might contend for the benefit; but, as I have explained it to you, the spirit of the agreement and the way it is worked is that each line should carry the percentage that has been allotted or agreed upon. There has been nothing developed on the lines you are discussing, and so I know nothing about it. I do not know what might happen, but the rates are all dealt with so that each line carries practically what has been agreed upon as its fair percentage.

Mr. STEPHENS. Yes. Now, Mr. Franklin, as I understand it, if a line carries in a number of months far in excess of its quota it must pay to the other members in the pool a certain amount, and the lines carrying less than their quota are afraid of sometime having their quota in the pool changed and lowered. Now, is not that a means of maintaining rates? From long experience, have you found that the best means of maintaining equal rates for all lines in the pool?

Mr. FRANKLIN. The experience, as I understand it, has been, all the way through, that it is extremely difficult, where lines are running from different ports, under different conditions, having a different type of ship—some old and some new—to enable everybody to maintain his fair percentage and not be limited by anything; and that nobody has found any other way of doing that except by a pool.

Mr. STEPHENS. The primary purpose is to maintain the rates?

Mr. FRANKLIN. To maintain a fair rate and a reasonable rate, and yet not allow the man with unlimited capital for unlimited development to ultimately get the whole business. That is it.

Mr. HUMPHREY. That is, you mean a fair and reasonable rate in the judgment of those who fix the rates?

Mr. FRANKLIN. That is always a debatable point, what is a fair and reasonable rate? We all think they are fair and reasonable; that is all.

Mr. HUMPHREY. Mr. Chairman, there are one or two points which I would like to bring out, and as I will be unable to remain I would like to develop them at this point.

In article 16 of this agreement—I will read a part of it, which is as follows:

(a) The lines undertake to comply with article 8 of the "General rules, short series, of the continental conference," which reads as follows:

"No circulars or publications shall be issued by any line reflecting upon or instituting comparisons with any conference line favorable to the latter, and no party hereto shall support any newspaper which may systematically attack any conference line."

(b) They further undertake to send to the secretary any printed matter and circulars sent to agents in relation to the steerage business, so far as such matters are not of purely internal nature.

COMMENTARY TO ARTICLE 16.

(a) In view of the fact that the stipulations referred to in this article of the continental conference have stood the test of many years of practical working, it is decided not to alter anything with regard to such stipulations to the continental conference, but it was agreed that the words "support any newspaper" are more especially understood to mean that no advertisements are to be given to such newspaper.

Now, what is your understanding of that section?

Mr. FRANKLIN. Well, I think that section is perfectly clear in its language there. That is an agreement, as I have told you before, made abroad. As far as that section is concerned, I have never heard of it being operative at all.

Mr. HUMPHREY. I will give you one illustration that came under my direct observation, in which I happen to know about the facts: I wrote an article for Pearson's Magazine in regard to the South American trade, in which I attempted to set out some of the facts in regard to the conference rules. Immediately after that article appeared, the Hamburg-American agent went to the Pearson's Magazine people and told them because they printed that article they would take out their advertisements, and they did take them out.

Mr. FRANKLIN. Well, that is news to me; that is all I can tell you.

Mr. HUMPHREY. What I wanted to know was whether or not it is the policy—

Mr. FRANKLIN. I have never heard of it.

Mr. HUMPHREY (continuing). For your company to advertise only in papers that were friendly to the conference?

Mr. FRANKLIN. No, sir. We advertise in the papers we think will help us more than any others to meet the public—to put our line before the public.

Mr. HUMPHREY. I have noticed this fact—take the Philadelphia Inquirer as an illustration: Unless I am very much mistaken, up until the time this controversy arose about the Pearson's Magazine, which was given a considerably wide circulation—I tried to circulate it as much as I could—although that paper, as I understand, carries more advertising than any other newspaper in Philadelphia, it never carried in it a line of advertising for the foreign steamship companies until recently. And my observations have been, and I do not think it was a mere coincidence—all my observations have been that, taking it throughout the country generally, only such newspapers as had something favorable to say in regard to foreign steamship combines, at least those that did not attack them, received any advertisements from these foreign steamship lines. I have noticed, within the last year, that that policy has changed and they are appearing now for the first time in a great many newspapers where I never saw them before. I have been on the watch for this thing for the last four or five years, and I wanted to know if any action taken by Congress had abrogated that particular section.

Mr. FRANKLIN. I know of no action here and I know of no action in the conference in regard to the decreasing or increasing of it. Recently, in the last year, there is apparently an era sweeping over the United States of more and more advertising all the time, and the lines every day are spending more money in advertising than they have ever done, to the best of my knowledge and belief. They are advertising in more papers; and there is another point: We are all getting, every day, more and more in the cruising business, and it is a business that has to be worked up by advertising.

Mr. HUMPHREY. You mean touring business?

Mr. FRANKLIN. No, sir. It is not a tourist business in that sense; it is an actual cruise. For instance, we are running this year five cruises to the Panama Canal and through the West Indies, whereas three years ago we had only one, and prior to that we did not have any. We are also running cruises down to Alexandria, along the Mediterranean coast, and calling at the Azores and Madeira, all of which business is coming to us largely through advertising.

Mr. HUMPHREY. You think that explains the reason, then, why there is so much more advertising by these conference lines in the newspapers?

Mr. FRANKLIN. I have noticed that fact, and that is my explanation of it, and it is my honest conviction. In my case, that is actually so; positively so.

Mr. HUMPHREY. I wondered whether this transaction I referred to in regard to the Pearson's Magazine, which afterwards was disputed by the agent of the Hamburg-American Line until I got it in writing over the signature of the proprietors of Pearson's Magazine itself that it was true, had had something to do with it.

Mr. FRANKLIN. No, sir. I would be perfectly frank with you, but I tell you I have never heard of it.

Mr. WILSON. Would not the result of what Mr. Humphrey has just read be that it is an agreement to boycott those newspapers which are not friendly to these conferences lines?

Mr. HUMPHREY. I was going to ask you what construction you would place on it.

Mr. FRANKLIN. I think it is perfectly clear. I think the spirit or the construction of that is that if newspapers should attack certain conference lines they should be avoided in their advertising.

Mr. HUMPHREY. Would the construction be true, also, that you would give your advertising to the newspapers that are friendly?

Mr. FRANKLIN. It would be if that paragraph was operative to-day, but I have never heard of that paragraph being made effective or operative in this country.

Mr. HUMPHREY. You do have special agents to look after that part of it?

Mr. FRANKLIN. We have men in our office to look particularly after advertising, and we have placed our advertising with Albert Frank & Co., of New York, who are supposed to do that.

Mr. HUMPHREY. There is another firm.

Mr. FRANKLIN. Presby & Co. There are three or four firms.

Mr. HUMPHREY. Do you know what firm does the advertising for the Hamburg-American Co.?

Mr. FRANKLIN. I think Presby does. But as far as I know and as far as we are working, we are absolutely free in our advertising in every way.

Mr. WILSON. Is this clause still operative and still a part of the agreement?

Mr. FRANKLIN. As I tell you, that is an agreement made abroad, and I think that agreement is operative to-day, but I could not tell you that positively.

Mr. WILSON. In other words, it is an agreement made abroad in which they enter into an arrangement to boycott American publications that are not so friendly to their institutions?

Mr. FRANKLIN. No, sir. I will not say that.

Mr. WILSON. What other construction can you place upon an agreement not to advertise with concerns of that kind?

Mr. FRANKLIN. I would put it in this way to you: That that is an agreement made abroad, but we have never had—it does not say, in the first place, “American papers”; and, in the next place, we have never had the slightest request from anybody connected with that agreement to do anything in regard to advertising.

Mr. WILSON. It does not say “American papers”; that is true; but it takes in all publications everywhere, including American papers, and consequently is an agreement to boycott the American papers or any other papers that are unfavorable.

Mr. FRANKLIN. There is no use of my arguing against that construction, because the words in the agreement speak for themselves. The point in my mind is this: That it is not an operative feature in the agreement, and has never been, and I never have heard of it being operative on this side of the water.

Mr. HUMPHREY. There is one other matter in connection with that same thing that I think ought to go in the record, and I want to ask you about it. This fact developed, growing out of this same article and others in regard to the South American trade: A letter was prepared by the representatives of these South American lines and taken to the various shippers and signed by them, saying that in the trade between here and South America the shipping facilities were ample and praising the service generally. After that was signed by these

shipping houses, at the request of the agent of the Hamburg-American Line, that letter was sent out—copies of it—to the various newspapers throughout the country, requesting them to make comment upon it, and with that request there was sent, in some instances, a manual of their advertisements, accompanied by checks.

Mr. FRANKLIN. That is absolutely unknown to me. We are not in the South American trade, and we do not know anything about it. We are not in any way connected with it.

Mr. HUMPHREY. So you do not consider, at least so far as your company is concerned, that portion of the agreement to which I have referred as authorizing you to do anything of that kind?

Mr. FRANKLIN. I have absolutely no instructions from my company on advertising in any way, shape, or form. I do as I think best, and that is what our agents are told, and whatever publication we think is the best medium to reach the public we use.

Mr. HUMPHREY. You can well understand the object of these questions.

Mr. FRANKLIN. I quite understand that.

Mr. HUMPHREY. The committee wants to know, and I think that is one of the things we are investigating, whether or not by the use of the words "advertising or other methods" you are attacking the press of the country.

Mr. FRANKLIN. No, sir; I do not think so. I know of no obligation in any way on advertising.

Mr. STEPHENS. Mr. Franklin, if advertising had been withheld from certain newspapers and given to certain others for reasons along the lines Mr. Humphrey has given, you would know of it personally?

Mr. FRANKLIN. If it had been in the trade in which we are particularly interested, like the people that Mr. Humphrey has mentioned in that trade, the people might have discussed it, and it might have been discussed in one of our meetings, and some one might have dropped in the office and said, "Here is this situation, what do you think about it?" Now, I never have heard of it in our trades.

Mr. STEPHENS. As an illustration, suppose a certain New York newspaper had been fighting, through its columns, the International Mercantile Marine Co., and had been carrying a certain amount of advertising which was suddenly withdrawn from the paper. Would you have known or have been consulted personally about that matter if it was done?

Mr. FRANKLIN. I would have been consulted if it had been done for any particular reason; if it was a matter of policy that had been mapped out. For the sake of argument, suppose we had said we are going to spend so much money in the newspapers in advertising our cruises, we would simply have it put before us in a booklet where it is going. I would not look over the booklet, but I know perfectly well that if our advertising people had had under consideration any question such as you bring up, they would not take action without first talking it over with me, because that would be a matter of policy. Did I make that clear to you? Our advertisements may be withdrawn. The point I want to bring out is that an advertisement may be reduced or withdrawn because the particular business we had been advertising for had been accomplished.

Mr. STEPHENS. Suppose a certain amount of money had been set aside by your company for advertising purposes, and you had given your advertising manager the right to place it wherever he thought it would do your company good——

Mr. FRANKLIN. The most good?

Mr. STEPHENS. The most good. Now, if in his judgment he deemed it wise to take it away from A and give to B, and his reason might have been that it was because A had been fighting your company, do you think he would have given that reason for it?

Mr. FRANKLIN. I think wherever a thing of that kind was done for a particular purpose, if it was a matter of policy, it would have been brought to my attention.

Mr. STEPHENS. Therefore you think if any such thing had ever happened as detailed by Mr. Humphrey, it would have been brought to your attention?

Mr. FRANKLIN. If for our company I think it would have been brought to my attention, without doubt.

Mr. HUMPHREY. There is one other question I would like to ask of you. You take the Journal of Commerce—I think that is the paper. It has always been exceedingly antagonistic to anybody that said a word about the Government in any way helping American shipping. When I made a talk upon the floor of the House four or five years ago in which I referred to these combines and conferences and stated what everybody now admits is true, it published a very vicious article attacking me. I do not care for that part of it, but I mention that to show you the character of the paper. That is the way it does. It is always watching to see if it can attack somebody that wants legislation in favor of American shipping. I have always noticed that this particular paper carries page upon page of advertising for foreign steamships. Now, how does that happen?

Mr. FRANKLIN. I think the best way to explain that is this: It is taken by more merchants and looked upon as a record by, in our opinion, a great many people, and it is a very useful medium for advertising, for our services particularly. We keep it in there for that purpose. Now, we have never advertised our cruises. We have never given them special advertising, which we could have done if we had wanted to give them an extra amount. There was nobody in this country more anxious to see subsidy legislation than the International Mercantile Marine.

Mr. HUMPHREY. I was not referring to that.

Mr. FRANKLIN. Now, we were building at that time six steamers, hoping that subsidy was going through. We never changed our advertisement in the Journal of Commerce. There it has appeared and there it is to-day, the same at that time as it is to-day. That shows you we are not guided by that.

Mr. HUMPHREY. In other words, you think the Journal of Commerce and other papers of that character get the advertising and then they have their editorial policy, but their editorial policy is not made by the advertising?

Mr. FRANKLIN. I do not think it is. There may be some papers you could do that with, but not many of them. I do not know of them.

Mr. HUMPHREY. The Journal of Commerce is not a paper of very wide circulation, is it, as compared with the other important papers in New York?

Mr. FRANKLIN. It is a paper, I should say, of very small circulation for the public at large, but for the merchants interested in shipping it has a most excellent circulation.

Mr. HUMPHREY. There just happens to be a copy of it here. I had not seen it for awhile. It has always been to my mind quite an instructive thing to look at this paper, read its editorial column, and then look at its advertisements.

The CHAIRMAN. Haven't we gone far enough on that question?

Mr. HUMPHREY. Yes.

Mr. AYRES. May I ask a question, Mr. Chairman? Most of these lines are sailed under the British flag, most of these transportation lines we have been talking about. Most of the advertising or a large proportion of the advertising spent by these lines is spent in the New York newspapers and New York magazines. Do you imagine that the fact of these lines being largely British and their advertising being spent in New York papers has any influence on the editorial sentiment of the New York newspapers against free tolls for the Panama Canal?

Mr. FRANKLIN. I do not think it has at all.

Mr. AYRES. You do not think it influences them in the least?

Mr. FRANKLIN. I do not think so.

Mr. AYRES. It is a curious coincidence that the large papers which have most of the appropriations seem to be very strongly against that American idea.

The CHAIRMAN. You had better look to their railroad affiliations as well as their steamship affiliations.

Mr. HUMPHREY. Both; they are working together.

Mr. FRANKLIN. I do not think that the lines are really interested in it.

Mr. HUMPHREY. There are two combinations right together on that proposition.

Mr. FRANKLIN. I am confident you will not find the steamships have done a thing on that line. They feel that is entirely beyond their control.

Mr. HARDY. Do you see any difference in the newspapers attacking Mr. Humphrey for attacking the foreign ship combine and newspapers attacking Members of Congress for opposing a ship subsidy?

Mr. FRANKLIN. Not the slightest.

Mr. HARDY. I think there were quite a number of Members of Congress who opposed the ship subsidy that were most violently attacked by certain publications.

Mr. HUMPHREY. But the ones that attacked you were not carrying large advertisements. I do not care for the attack on me.

Mr. HARDY. I did not care for that attack on me, but it was the other papers attacking me because I was opposed to the subsidy.

Mr. FRANKLIN. As I tell you, we place our advertising to the best of our ability where we think it is going to meet the people that are going to travel by us.

Mr. HARDY. I should think you would be more inclined to place it with a paper that is complimentary to you than with one that was slashing you.

Mr. FRANKLIN. I think that is only human nature. The fellow that is attacking you is not the one that you are going to favor. That is human nature.

Mr. HARDY. That is the point. That, however, is not much in the line of our discussion.

The CHAIRMAN. It is now 12. We will adjourn to meet at 1.30.

A recess was thereupon taken until 1.30 o'clock p. m.

AFTER RECESS.

The CHAIRMAN. In the trade westward from Liverpool and London, have you published tariffs between the different lines?

Mr. FRANKLIN. I do not think they have any published tariffs between the different lines. I understand they simply have rates which they name to people who ask for the particular rates.

The CHAIRMAN. And you haven't them?

Mr. FRANKLIN. I have not. I have never seen them.

The CHAIRMAN. What, if anything, do you know about the Canadian conference?

Mr. FRANKLIN. The Canadian conference—well, I do not know anything about the Canadian conference or, do you mean a conference in Montreal or a conference on the other side, westbound?

The CHAIRMAN. No; in reference to this.

Mr. FRANKLIN. No; I know nothing about the Canadian conference. These lines that I described, the Liverpool and London lines, running to Canada are working with their competitors running to the United States in this rate agreement, but that is all I know.

The CHAIRMAN. Take up the north continental conference, and tell us what you know about that, Mr. Franklin.

Mr. FRANKLIN. Well, there is an agreement between the north continental ports.

The CHAIRMAN. Just name them, as you go along.

Mr. FRANKLIN. Hamburg, Rotterdam, Bremen, Antwerp, on west-bound traffic.

The CHAIRMAN. Tell us what it is and what it includes.

Mr. FRANKLIN. It includes, according to my understanding of it, all the freight traffic carried by the lines operating from those ports.

The CHAIRMAN. To?

Mr. FRANKLIN. To the United States.

The CHAIRMAN. Does it include all French ports, as well?

Mr. FRANKLIN. My understanding is that it does not include the French ports. Whatever there is, there is a side agreement.

The CHAIRMAN. You mean that if there is such an agreement it is between this conference—the north continental conference—and the French ports?

Mr. FRANKLIN. That is right.

The CHAIRMAN. Is there such an agreement between the United Kingdom and French ports?

Mr. FRANKLIN. Not to my knowledge.

The CHAIRMAN. Where is that conference held?

Mr. FRANKLIN. Did you say between the United Kingdom and the French ports?

The CHAIRMAN. Yes.

Mr. FRANKLIN. I misunderstood you, then. I was thinking about the continental lines that I mentioned before and the United King-

dom lines—continental United Kingdom. I think there is an understanding simply regarding rates from the Channel ports.

The CHAIRMAN. Now, what ports?

Mr. FRANKLIN. That is between the French Line running from the French ports and the lines running from Southampton to the United States, but that is only a rate agreement, my understanding is—simply an understanding regarding rates.

The CHAIRMAN. Passenger rates as well as freight rates?

Mr. FRANKLIN. Freight rates, I am speaking of.

The CHAIRMAN. Does it also include passenger rates?

Mr. FRANKLIN. The passenger, first and second class, practically covers all lines westbound.

The CHAIRMAN. All lines westbound—that is, they have a minimum rate?

Mr. FRANKLIN. A minimum passenger rate.

The CHAIRMAN. But no pooling?

Mr. FRANKLIN. No pooling, first and second class.

The CHAIRMAN. Are you familiar with the terms of this north continental conference or agreement?

Mr. FRANKLIN. Well, I think the quickest way to reply to that question, rather than to any other question, is to say that I have here a copy of the agreement of 1894—

The CHAIRMAN. Will you furnish that to the committee, please?

Mr. FRANKLIN. Which I am furnishing in accordance with the subpoena, and that is the reason that I brought it here.

The CHAIRMAN. Yes.

The agreement as submitted by the witness was marked by the stenographer "Exhibit No. 62," and is as follows:

AGREEMENT.

Between the following trans-Atlantic steamship companies:

1. Hamburg-American Packet Co., in Hamburg.
2. North German Lloyd, in Bremen.
3. Holland-America Steamship Co., in Rotterdam.
4. Red Star Line, in Antwerp.

The following freight agreement has been arrived at to-day:

1. The purpose of this freight agreement is to bring about a mutual understanding regarding freight rates to be maintained on a corresponding basis and to preserve to each separate company its share of the total income from the freight traffic.

2. This freight agreement comprises the total freight traffic of the above-mentioned lines from ports of the North German seacoast, Holland, and Belgium to ports of the United States; it further includes the traffic with chartered vessels as well as with the lines' own steamers, and it further includes the freight for dead weight as well as for live stock.

The traffic of the Hamburg-American Packet Co. includes the traffic of the firm Rob. M. Sloman & Co., and the percentage of the Packet Co. designated in this agreement includes the share of the firm Rob. M. Sloman & Co.

3. The percentages of the companies of the total freight receipts are fixed as follows:

	Per cent.
Hamburg-American Packet Co	37½
North German Lloyd	23½
Holland-America Line	18
Red Star Line	20½

These percentages have been made up from the statements of their freight receipts in the years 1891, 1892, and 1893, furnished by all the lines. These statements will shortly be subject to a revision by the secretaries of the com-

panies to be soon appointed. Any eventual corrections resulting from the verification of the statements submitted will be made one way as well as the other, but if the discrepancy of one single line should not amount to more than one-tenth per cent the same will remain unnoticed.

4. The companies agree not to accept heavy goods at less than 4 marks per weight ton and no measurement goods at less than 6 marks per measurement ton. Any company accepting less than these rates will have to account for goods so accepted at the minimum freight rate of 4 marks, respectively, 6 marks. Each line, however, is permitted on each sailing of a steamer to accept a quantity of heavy goods below the minimum rate of 4 marks, which shipment, however, must not exceed 300 tons, and account for same at the actual freight rate received for that quantity.

Under the term "heavy goods" are meant goods of which 1,000 kilos do not occupy more than 45 English cubic feet or such goods which the companies have agreed shall be considered as heavy goods.

5. As a rule, a meeting will be held every four weeks by the representatives of the freight departments of the combined lines for the purpose of agreement regarding freight rates to be maintained and for the exchange of opinions regarding the status of the business and measures to be taken to meet competition. The fixing of rates, however, is not done by majority vote, but by way of open agreement. The fixing of freight rates, even when such go below the fixed minimum freight rates, can be done, viz, for all ports by majority vote, for single ports by consent of all parties. Furthermore, the cancellation of freight rates can take place by majority vote.

6. Any line accepting goods under the minimum rate, with consent or upon agreement of the freight conference, has only to account for such at the freight rate accepted by them.

7. For the compiling of statistics and settlement of the accounts resulting from this agreement a secretary is to be appointed. To him are to be made monthly reports regarding the sailings which have taken place, the quantity of goods forwarded, and the freight rates received. The secretary, on the basis of these reports, is to compile statements and transmit same to the interested parties at earliest date.

The secretary is obliged, for the purpose of control, to inspect the manifests and books of the companies in so far as this may be necessary for his purposes.

8. Should it be found from the monthly statements that the freight receipts of one or the other company are below their percentage or above their percentage, if it is not probable that an equalization will take place without any special measures in the course of the year, then the conference must try through the regulation of rates to bring about equalization.

9. The fixing of the share for the various companies in conformity with this contract is to take place monthly, the equalization payments half yearly.

10. It shall be free to the companies, without reduction of their percentages fixed in No. 3, to reduce the number of their sailings up to 15 per cent. Further reductions beyond 15 per cent shall be deducted from the share pro rata of the number of sailings used as a basis for the determination of the percentages and in such a manner that each company pays into the account for every sailing short the average amount of freight received during the years 1891, 1892, 1893, and thereupon shall be entitled to their proper share of the total receipts.

11. The above agreement is in force from January 1 to December 31, 1894, and includes the freight receipts for all steamers departing for the United States from any of the ports in question during such period, and including the two days mentioned, without regard as to whether the shipments are made on basis of engagements made previous or subsequent to the formation of this agreement; but each party shall have the right at the end of each month to give a four-weeks' notice of withdrawal from this agreement.

Bremen, March 10, 1894.

NORTH GERMAN LLOYD,
WIEGAND, MARQUARDT.
HAMBURG-AMERICAN PACKET CO.,
G. WOLFF.
HOLLAND-AMERICA LINE,
REUCHLIN.
RED STAR LINE,
VON DER BECKE & MARSILY.

Mr. FRANKLIN. This agreement is made abroad and operated entirely from abroad, over which we have no jurisdiction or control here.

The CHAIRMAN. State whether or not this agreement is in operation now.

Mr. FRANKLIN. This agreement, to the best of my knowledge and belief, is in operation now.

The CHAIRMAN. It is dated Bremen, March 10, 1894?

Mr. FRANKLIN. It is dated, as you say, Bremen, March 10, 1894. This is the basis of what they are doing now. This is the basis of the westbound continental agreement.

The CHAIRMAN. And is signed by the North German Lloyd, the Hamburg-American, the Holland-American, and Red Star Line?

Mr. FRANKLIN. Right, sir.

The CHAIRMAN. Any other lines?

Mr. FRANKLIN. The same lines, or what is known as the N. D. L. V. agreement.

Mr. HARDY. Translate the letters, please.

Mr. FRANKLIN. It is German—Nordatlantischer Dampfer-Linien Verband—and it means North Atlantic Steamship Lines Association.

The CHAIRMAN. State whether or not there are any other agreements than this one which you have furnished to the committee.

Mr. FRANKLIN. I beg your pardon.

The CHAIRMAN. State whether there are any other agreements than this one which you have furnished to the committee.

Mr. FRANKLIN. In the north continental pool? In the westbound business I know of no other agreements except this that I mentioned this morning, and I have not any copies of those. I only mention them to you as the different groups.

The CHAIRMAN. State whether or not there is any relationship between this conference—that is, the north continental conference—and the Baltic. We have some evidence that there is also a Baltic conference.

Mr. FRANKLIN. You mean westbound?

The CHAIRMAN. Westbound.

Mr. FRANKLIN. Oh, I know of none. I know of no relationship; I do not know anything about the Baltic conference.

The CHAIRMAN. What do you understand to be the terms of the agreement or understanding between what you call the United Kingdom lines, the English or British lines, and the French lines?

Mr. FRANKLIN. I know of no agreement between the United Kingdom lines and the French lines, except I understand there is an understanding regarding minimum rates from the Channel ports. I know of no pool or anything more than that between the French Lines and the United Kingdom lines, or the lines from French ports and the United Kingdom lines.

The CHAIRMAN. That is with reference to first and second class passengers?

Mr. FRANKLIN. Oh, I thought you meant with reference to freight!

The CHAIRMAN. Well—

Mr. FRANKLIN. With reference to freight I am talking of.

The CHAIRMAN. Then I understand there is no pooling arrangement with reference to first and second class passengers?

Mr. FRANKLIN. In no trade that I know of.

The CHAIRMAN. And that pooling agreement——

Mr. FRANKLIN. The only pooling agreement regarding passenger business that I have ever heard of pertains entirely to third-class business.

The CHAIRMAN. Is there any arrangement or pool between the lines in the north continental conference and the lines in the United Kingdom conference?

Mr. FRANKLIN. Not to the best of my knowledge and belief.

The CHAIRMAN. Is there any agreement or understanding between them that the one is to keep out of the other's territory?

Mr. FRANKLIN. I do not know whether there is any agreement to that effect, but I think it is clearly understood that they must not cut rates in that territory; if they did, there would be trouble.

The CHAIRMAN. None of your lines controlled by the International Mercantile Marine run ships from Hamburg, do they?

Mr. FRANKLIN. No; we have no ships running from Hamburg.

The CHAIRMAN. Nor from Bremen?

Mr. FRANKLIN. Nor from Bremen.

The CHAIRMAN. Nor from Antwerp?

Mr. FRANKLIN. Oh, yes; from Antwerp we have the Red Star Line and from Havre we run to Baltimore. I think, Mr. Chairman, it is only fair in that connection to bring out before you this feature of that case: That one very important factor and reason why the various lines are competing from port to port, like going into Bremen—like the Red Star Line there, for the sake of argument—is that the capital required on these lines, in order to keep up with their trade and development of their trade, is so great that it is all the lines can do to develop rapidly enough to take care of their own business. The history of the steamship business is practically that where you have combined freight and passenger steamers, which is the most economical steamer, you are constantly changing your type of steamer. You are required every day to handle more and more tonnage. For the sake of argument, the Red Star Line steamers, which were up to date and extremely satisfactory in 1902, are now being renewed and replaced wherever they can be replaced. We want, therefore, four or five steamers to-day more than we can furnish money to supply, and that is the reason. There would be no object in our branching out and considering for one moment going into the Bremen trade and attacking the Bremen interests when we can not take care of our own development, and we would go in there with an inefficient service and be competing for somebody else's business when we can not take care of our own properly.

Mr. HARDY. Practically like a Washington merchant whose business was growing beyond his capacity almost were to open up a store in Baltimore?

Mr. FRANKLIN. Exactly, when the finances could not take care of his own development, when he could invest all the money that he can command in the development of his own business here.

Mr. HARDY. And that has a large deal to do with the division of the territory that falls in natural lines?

Mr. FRANKLIN. It is natural development of the business. These lines have grown up in their ports; they have developed as rapidly

as they could. The business is developing rapidly; they are anxious to supply the steamers to take care of their business. Their only difficulty is in getting money from time to time to finance it.

Mr. HARDY. That, however, does not account for the sameness of the freight or passenger rates from Havre and from Southampton to New York; that is an agreement?

Mr. FRANKLIN. Passenger rates?

The CHAIRMAN. Yes.

Mr. FRANKLIN. All ports to New York, practically, of first and second class; but, mind you, those rates apply on every or different kind of steamer, as a different rate of—

Mr. HARDY. A certain kind of steamer from Southampton would give one rate, and the same kind of steamer from Havre would give the same rate?

Mr. FRANKLIN. If you could get a parallel type of ship; yes.

Mr. HARDY. But it is intended—

Mr. FRANKLIN. In the first place, it depends upon the age and the speed of the ship.

Mr. HARDY. It is all intended to equalize conditions?

Mr. FRANKLIN. To try to equalize conditions as much as we can.

The CHAIRMAN. Referring to the Mediterranean trade, state whether or not there is a conference.

Mr. FRANKLIN. Passenger or freight?

The CHAIRMAN. On westward traffic.

Mr. FRANKLIN. Freight?

The CHAIRMAN. In passenger and freight.

Mr. FRANKLIN. Well, as I stated this morning, there is a west-bound freight agreement from the Mediterranean ports. There is also a third-class passenger agreement on west bound, and a good many of the steamers operating in the Mediterranean trade have their minimum first-class rates.

The CHAIRMAN. How is that regulated? Where is the conference held?

Mr. FRANKLIN. The conference meeting regarding the Mediterranean passenger, you mean, or the freight?

The CHAIRMAN. Freight.

Mr. FRANKLIN. I think they were held in Naples; I am not quite sure.

The CHAIRMAN. State whether or not there is a deferred rebate agreement.

Mr. FRANKLIN. Freight?

The CHAIRMAN. A deferred rebate agreement in the westward traffic.

Mr. FRANKLIN. Not that I know of. I have never seen the west-bound Mediterranean agreement to my knowledge. You have that, I think.

The CHAIRMAN. State whether or not there is a deferred rebate agreement—we are speaking about freight—in the westward traffic.

Mr. FRANKLIN. Not that I know of. I have not seen the west-bound Mediterranean agreement, to the best of my knowledge, about freight. You have that, I think?

The CHAIRMAN. Now, we will take up the eastward traffic from the United States. You may tell the committee whether or not there are any agreements or understandings between the lines of the Inter-

national Mercantile Marine and other lines as regards the United Kingdom first; that is, eastbound traffic from the United States to the United Kingdom.

Mr. FRANKLIN. The eastbound traffic from the United States to the United Kingdom, particularly the northern part of the United States—northern ports—is handled largely as I described in our replies. The representatives of the various lines running to Liverpool meet, discuss their rates, and they file or notify each other of their minimum rates upon certain commodities. Minutes of those meetings are kept, and I have submitted to you a copy of the last meeting, which was held, I think, in September. Now, these rates are subject to change on certain notice, in some instances 30 days and in some instances 60 days. They cover only certain commodities; they do not cover the great bulk of traffic, which consists of grain, flour, oil cake, cotton, and other bulky commodities. They only cover miscellaneous traffic.

The CHAIRMAN. What you would call package freight?

Mr. FRANKLIN. Package freight. What we call general cargo—manufactured goods, etc.

Mr. HUMPHREY. Is the minimum rate fixed—

Mr. FRANKLIN. In each case these gentlemen file—the freight representatives file what they say is the minimum rate under which they say they will not go without further notice.

Mr. HUMPHREY. Does that include the general cargoes that you have mentioned?

Mr. FRANKLIN. It includes manufactured articles and certain other staples, of which you have a copy there, but it does not include these large bulky commodities.

Mr. HARDY. What it does include is the high-priced freight?

Mr. FRANKLIN. More the high-priced freight, on which the shippers as well as ourselves are anxious to have fixed and stated rates that are the same to all and apply equally to everybody.

Mr. HARDY. That enables you to fill up a vessel, when you have a large amount of empty space, at your discretionary terms?

Mr. FRANKLIN. It enables you to take the bulky stuff for the vessel at rates that you like. This is only the cream of the traffic.

Mr. HARDY. You have no agreement with reference to that at all?

Mr. FRANKLIN. We have no agreement with reference to any of those bulk stuffs except as outlined therein; minimum rates in some cases, but no agreement regarding grain whatsoever, except that each line agrees that they will not take more than 12 loads of grain at a rate less than a penny-halfpenny—that is, 3 cents—a bushel. They can make any rate they want, but they must not exceed 12 loads on one ship—that is, 8,000 bushels to the load, 96,000 bushels.

Mr. HUMPHREY. What do you mean by a load?

Mr. FRANKLIN. Eight thousand bushels to the load. That is a trade term.

The CHAIRMAN. The purpose of that is that the ships may be provided with the ballast freight?

Mr. FRANKLIN. The purpose of that is, a man has to have grain for certain ships even if he has to buy it. I will not say frequently, but we have paid for grain.

Mr. HUMPHREY. You have carried wheat for nothing?

Mr. FRANKLIN. We have carried wheat for nothing, and we have paid for it; we have paid for the privilege of carrying it. We all have certain steamers that must have a certain amount of dead weight before they can sail. That is the reason that agreement is outlined there, that you can take any quantity up to 12 loads at 3 cents a bushel.

Mr. HARDY. Have you any agreement fixing rates on cotton from this country to Liverpool?

Mr. FRANKLIN. No agreement whatsoever.

Mr. HUMPHREY. No limit on the amount you may take?

Mr. FRANKLIN. No limit on the amount we can take.

Mr. HUMPHREY. No restrictions whatever in the cotton trade?

Mr. FRANKLIN. I know of no agreement in the cotton trade. The only thing I could say regarding the cotton trade is that our people in Galveston, if they break a cotton rate, will advise our people in New Orleans that they are breaking it, so that they can keep their rate the same in Texas and the other territories, but there is no agreement on it whatsoever.

Mr. HARDY. Just a practice of notification from one to the other?

Mr. FRANKLIN. The practice is that if our representative in Galveston, who is representing the same interest as in New Orleans, is going to break his rate he will drop a telegram to the man in New Orleans, "I am going to make my rate at a certain time 47 cents."

Mr. HARDY. Is there anybody but your people that run out of Galveston carrying cotton?

Mr. FRANKLIN. Yes.

Mr. HARDY. Do these other interests notify you when they break the rate?

Mr. FRANKLIN. Not necessarily. There are two friendly interests running out of both ports.

Mr. HARDY. Galveston and New Orleans?

Mr. FRANKLIN. Galveston and New Orleans. The Harrison and the Leyland Lines.

Mr. HARDY. And they have the same rates?

Mr. FRANKLIN. They try to maintain about the same rates.

Mr. HARDY. But they do it without any written agreement?

Mr. FRANKLIN. They have no written agreement regarding these rates except they have this understanding, which is just as good as a written agreement, that the moment that rate is broken the other port is advised.

Mr. HARDY. By either the Leyland or the Harrison?

Mr. FRANKLIN. By either the Leyland or the Harrison. In Galveston, with the Leyland and the Harrison, is the Gulf Transport Line, which is a line of not so many sailings, but it is a good line. In the case of Galveston there would be three lines; in the case of New Orleans two lines that are working closely together, but I do not know of any written agreement except what I have described and that is they keep each other posted. And that is very necessary because there is a great deal of the cotton that is moved from both ports that is competitive from a certain territory.

Mr. HARDY. How are those rates originally instituted?

Mr. FRANKLIN. They are guided and governed and made entirely on the basis of what tramp steamers can be chartered at. They constantly have tramp competition.

Mr. HARDY. But having once established a rate, then they are only changed in the way you speak of?

Mr. FRANKLIN. Yes; they are changed in this way. If they have once established a rate, and the Galveston representatives, for the sake of argument, make up their minds that the cotton situation is such that they must reduce their rate there for reason of acquiring cargo or because of tramp steamers coming in against them, the moment that condition arises the only thing they have to do is to telegraph to the other man that they are doing it.

Mr. HARDY. Then that stays in force until there is another change?

Mr. FRANKLIN. Until there is another change. It is entirely a question of supply and demand.

Mr. HARDY. The competition only arises from the tramp ship that comes in occasionally?

Mr. FRANKLIN. No; there are three or four important companies—Booth & Co., of Liverpool; Elder, Demster & Co., of Liverpool, which is controlled by the Royal Mail which is a very large factor.

Mr. HARDY. Don't they have the same rates as your two lines?

Mr. FRANKLIN. No.

Mr. HARDY. You have no agreement with them at all?

Mr. FRANKLIN. No.

Mr. HARDY. Do not notify each other?

Mr. FRANKLIN. No.

Mr. HARDY. But you find out what they are charging and may lower your rates to meet it?

Mr. FRANKLIN. We will know within a minute if they change their rates—or five minutes. But there is no agreement between Elder, Demster & Co., to the best of my knowledge and belief, and ourselves whereby rates are fixed. They may exchange views. If one decides to break they may as a matter of courtesy advise the other, but frequently they do not.

Mr. HARDY. As a matter of result, however, do you have practically the same rates?

Mr. FRANKLIN. As a matter of final result, yes; but as a matter of competition the rates are frequently changed by one without notifying the other.

Mr. HARDY. But that does not last long?

Mr. FRANKLIN. It can not last long.

Mr. HARDY. They get together?

Mr. FRANKLIN. It is not a question of getting together; it is simply a question of putting your rate parallel to his rate.

Mr. HARDY. It is not a question of getting together but being together?

Mr. FRANKLIN. It is not a question of getting together or being together—you are forced together. Put it that way. The competition in all the southern ports is a matter of tramp steamers for the reason that the cotton trade moves in large bulk at certain seasons of the year and moves in full cargoes and makes a very different situation and a very much more competitive situation—

Mr. HARDY. It is an inviting field for the individual tramp steamer—

Mr. FRANKLIN. And it is a season's business. It is a business that the tramp steamer can very well engage in to much better advantage

than he can engage in any general cargo business where you have to have regularity of service.

Mr. HUMPHREY. Is there any combination or agreement or understanding between these tramp steamers with regard to rates?

Mr. FRANKLIN. I have never heard of any. They are taken by charterers, you know.

Mr. HUMPHREY. That may seem like a strange question, but I know, as a matter of fact, there is an agreement among the sailing vessels on the Pacific coast which is just as ironclad, and it is also signed by the parties just like the one in the North Atlantic passenger business.

Mr. FRANKLIN. That is true, but the reason I say there can be no agreement with the tramp cargo steamer is this: I can go in tomorrow and take 15 tramp steamers for three months, and I have no limit as to where, when, or how I send those steamers. I can send them out to China, just so I get them back within the period. Therefore, I do not see the slightest possibility of the tramp steamers making an agreement of that kind.

The CHAIRMAN. In that class of trade like cotton, where they get bulk cargoes, there is real competition between the tramp steamers and the regular lines?

Mr. FRANKLIN. There is an active competition from all those cotton ports between the tramp steamers and the regular lines.

Mr. HARDY. In this connection, I wish you would define a tramp steamer.

Mr. FRANKLIN. A tramp steamer is a steamer that is owned by a firm or company that did not build that steamer and is not operating her in a regular line. She is ready to go wherever she can make the most money. She is not in a regular line; she has probably never been operated in a regular line. She is open for the world's commerce.

Mr. HUMPHREY. Is not a tramp steamer, Mr. Franklin, any steamer that is not run on a regular line?

Mr. FRANKLIN. That is so, except that if a regular line had a little surplus tonnage and therefore chartered that tonnage for six months, she would not be known to the trade as a tramp steamer; she would be known as "a Dominion Line ship coming down here," or something of that kind. But there are owners who are very well known who have nothing but steamers that they charter for any trade and every trade, for a single trip, for a month, or a year, or five years, and wherever they want to send her.

Mr. HUMPHREY. I wish you would explain to me just exactly what is meant by a time charter. I have heard it spoken of frequently, but I want the exact definition.

Mr. FRANKLIN. A time charter occurs where a steamer is taken by anybody and he has entire control. It is taken for a period; whether it is three months or three years, it does not matter. The charterer entirely controls the movements of the steamer. He pays all of her expenses except the wages of the crew, the salaries of the officers and their food, and the ropes and the oil. The charterer pays for the coal and everything else.

Mr. HUMPHREY. Does he pay so much a trip or so much a month?

Mr. FRANKLIN. So much a month on the gross registered tonnage or any other basis agreed upon by the two.

Mr. HUMPHREY. Just the same as if a man hires a team and a driver for a specified time?

Mr. FRANKLIN. For a month, say, except that the liveryman in that case supplies the oats, whereas in a time charter he does not.

Mr. HARDY. The other charter is a charter by the trip?

Mr. FRANKLIN. The other charter is a charter by the voyage. If a man in Galveston wants to take five steamers for next October to load cotton to Liverpool he can take them by the voyage only at so much a ton.

Mr. HARDY. What do you call that; a voyage charter?

Mr. FRANKLIN. Just for the voyage. Now, it is very probable that as the miscellaneous traffic from Galveston and New Orleans and other southern ports increases, the regularity of their service will increase, and the gradual absence of the tramp steamer will begin to appear at those particular points, as no doubt to-day there are fewer tramp steamers loaded to Liverpool than any other port.

The CHAIRMAN. Because they have regular service?

Mr. FRANKLIN. They have so much tonnage on the regular services and they have such big ships; they are the largest ships in the world.

The CHAIRMAN. Referring again to the agreement by which 12 loads of grain may be carried by a steamer at any one time at less than the minimum, does that apply to any other commodity than grain?

Mr. FRANKLIN. No; not to the best of my knowledge and belief. While we are on the subject of New Orleans, I would like to refer to the testimony of Mr. Lowry the other day and say that the Leyland Line is not in any way interested in the South American trade, and any steamers they had in South America that were bound to the Gulf had simply been sent out to South America in the off cotton season with a load of coal, to discharge it there and go up to the Gulf to load cotton home. That is the reason they have never been in the market for the South American northbound cargoes, and probably never will be.

The CHAIRMAN. Is that agreement in writing with reference to the minimum grain rate?

Mr. FRANKLIN. I think it is in that Liverpool agreement I filed with you.

Dr. HUEBNER. You filed only one agreement with us.

Mr. FRANKLIN. I mean "minutes."

Dr. HUEBNER. Oh, yes.

Mr. FRANKLIN. That is the only thing we have.

The CHAIRMAN. We will take up next the eastward traffic from the north continental ports. State whether or not any of the vessels owned or controlled by the International Mercantile Marine are in the service from ports in the United States to Hamburg.

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Are they in the service to Bremen?

Mr. FRANKLIN. No, sir; except at times they may load from the Gulf with cotton to Bremen.

The CHAIRMAN. As I understand, though, not north of Savannah, or including Savannah?

Mr. FRANKLIN. No.

The CHAIRMAN. Do they go to Antwerp or Rotterdam?

Mr. FRANKLIN. They go to Antwerp, but we have no steamers running to Rotterdam from the United States.

The CHAIRMAN. But the International Mercantile Marine now controls one of the Dutch lines, does it not?

Mr. FRANKLIN. The International Mercantile Marine Co. owns the Red Star Line, which is the line from the United States to Antwerp, and it also owns 25 per cent of the stock of the Holland-American Line, which is the line to Rotterdam.

The CHAIRMAN. Is there any understanding or arrangement between the two companies, your line running to Antwerp and the other line running to Rotterdam?

Mr. FRANKLIN. No; there is no arrangement. I could quickly say "No" to that question, but I think it is only fair to say that there is an understanding that we would not run from the other side out.

The CHAIRMAN. That is, westward?

Mr. FRANKLIN. Westbound; yes.

The CHAIRMAN. The Red Star Line is in the North Atlantic conference pool, is it not?

Mr. FRANKLIN. Yes; the Red Star Line is in the westbound continental freight agreement, if that is what you mean.

The CHAIRMAN. Is the Leyland Line, which operates to New Orleans, in this continental conference on westbound traffic?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. What different lines are in the conference on eastbound traffic from the United States?

Mr. FRANKLIN. Do you mean from the United States to Liverpool or to London?

The CHAIRMAN. Yes; take Liverpool.

Mr. FRANKLIN. They are mentioned in those minutes that I gave you. I can read them right off for you. I have them here. They are as follows:

Liverpool: Allen Line, Montreal; American Line, Philadelphia; Canadian Pacific Line, Montreal; Chesapeake & Ohio Steamship Lines, Newport News; Cunard Line, New York; Furness Line, St. Johns; Johnston Line, Baltimore; Leyland Line, Boston; The Warren Line, Boston; White Star Line, New York; White Star-Dominion Line, Montreal, Portland, and Liverpool.

I think, Mr. Chairman, I might like to say that we have heard several times that the east as well as the westbound rates were all controlled abroad, but the eastbound rates are all practically controlled here.

The CHAIRMAN. In what way?

Mr. HUMPHREY. You are speaking of trade between here and Europe?

Mr. FRANKLIN. Trans-Atlantic trade.

The CHAIRMAN. Do you mean by conference in New York?

Mr. FRANKLIN. No; I mean by people on this side. They work them out in this way. The Liverpool lines, which we have just mentioned, their representatives will meet at 17 State Street, and there will discuss the situation, and notify certain minimum rates below which they will not go on the commodities that are mentioned in the minutes before you. Those are subject to change. Any line can notify that at the end of a certain period it is going to change its rates.

Mr. HUMPHREY. How long does that notice have to be?

Mr. FRANKLIN. It gives it here [indicating]. It is 60 days' notice. The CHAIRMAN. Suppose they object?

Mr. FRANKLIN. It has to be unanimous.

The CHAIRMAN. If a rate is increased it must be by common consent? If it is reduced it must be by common consent?

Mr. FRANKLIN. No; he can withdraw. That ceases to be unanimous—that rate. That settles it.

The CHAIRMAN. He has got to get out of the conference, then?

Mr. FRANKLIN. No; only as far as that commodity is concerned.

Mr. HUMPHREY. I do not quite understand that.

Mr. FRANKLIN. Let me explain it, and take a specific case. If the Furness Line, running from St. Johns—the agreed rate upon apples from St. Johns is 2/9 per barrel. If the Furness Line there makes up its mind that 2/9 is either too high or too low—it does not make any difference which way it is—it can give 60 days' notice. It can say that 60 days from now we are going to make our rate 3 shillings or 2/6. The lines can all object to that, and they can say, "Let us have a meeting and discuss it," but they can not compel, after 60 days, the Furness Line to maintain any rate other than the rate it wants to maintain.

Mr. HUMPHREY. Suppose at the meeting they decide that they will not consent to it? Then does the line go ahead and do it anyway?

Mr. FRANKLIN. It does it anyway.

Mr. HUMPHREY. Is there any penalty attached?

Mr. FRANKLIN. There is no penalty.

The CHAIRMAN. Does that often occur?

Mr. FRANKLIN. I will not say that occurs in just that way, because when a man makes a change in the rate he generally has some good reason for it, and he can get up and explain it to them in a way that they will all say you can change or you can not change it.

Mr. HARDY. You said he went on anyhow after 60 days. Do you mean his agreement prohibits him from assuming that right until after 60 days have expired?

Mr. FRANKLIN. Until after 60 days have expired.

Mr. HARDY. Then he goes and does as he wishes?

Mr. FRANKLIN. Yes.

Mr. HARDY. But he is bound not to act independently until after 60 days have expired?

Mr. FRANKLIN. Until after 60 days have expired. this rate, which he says he will not change until 60 days have expired, subject to withdrawal.

Mr. HARDY. When he has done that he is no longer a member of the conference?

Mr. FRANKLIN. Oh, yes; he may be bound on all the other rates. He can give notice for every one if he wants it, or he can give it on one or two.

Mr. HARDY. So it does not put him out just to break in any one place?

Mr. FRANKLIN. No; it does not put him out. But on some fellow who might be hurt and who might get angry and kick over the traces on everything, I do not say that might not occur.

Mr. HUMPHREY. In practice it does not very often occur that one line does what the others object to?

Mr. FRANKLIN. Not as a rule, because it is generally a reasonable thing that can be discussed and worked out. These rates are all on commodities that are such that there is no fluctuation in the rate or necessity for it.

Mr. HUMPHREY. In discussing it, you go by the rule, "One for all and all for each?" That is the theory on which you go?

Mr. FRANKLIN. Really each man is for himself, but he does not want to upset the whole situation unless his benefit is going to be very great. That is about the way it is, and you will always have some other point on which you might be able to get back at him.

The CHAIRMAN. The Phoenix Line operates from the United Kingdom to New York, does it not?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Where does it operate?

Mr. FRANKLIN. From Antwerp to New York.

The CHAIRMAN. Is there any agreement between that company and the Red Star Line, the International Mercantile Marine Line, in reference to trade westward from Antwerp?

Mr. FRANKLIN. Yes; there is an agreement there. They have a rate agreement.

The CHAIRMAN. Can you give us the terms of it?

Mr. FRANKLIN. No; I could not give you the terms of it, except that in a general way they simply fix rates. It is a differential route to a large extent.

The CHAIRMAN. Do you know whether or not that agreement is in writing?

Mr. FRANKLIN. That I could not tell you.

The CHAIRMAN. Could you get it for us and ascertain the fact?

Mr. FRANKLIN. I can try it.

Mr. HUMPHREY. Are there any rebates in this North Atlantic trade?

Mr. FRANKLIN. I know of no rebates.

The CHAIRMAN. Does the Castle Line operate from Antwerp to Galveston?

Mr. FRANKLIN. I do not think they do—the Union Castle Line?

The CHAIRMAN. Yes.

Mr. FRANKLIN. I never heard of them operating there.

The CHAIRMAN. Do you know where they do operate?

Mr. FRANKLIN. To South Africa, largely.

The CHAIRMAN. That is, from European points to South Africa?

Mr. FRANKLIN. The Union Castle Line.

The CHAIRMAN. Is there a Castle Line?

Mr. FRANKLIN. I do not know of a Castle Line. They are the Chambers ships, these gentlemen say. I do not know anything about it. There are large ships "Castle" so-and-so, and "Castle" so-and-so. I believe that is the line.

The CHAIRMAN. The reason I ask you that question is that we have information that there is an agreement between the International Mercantile Marine Co. and the Castle Line. We wished some definite information about it if it is possible.

Mr. FRANKLIN. Operating between what ports and in what trade?

The CHAIRMAN. I am unable to say.

Dr. HUEBNER. European points to Galveston.

Mr. FRANKLIN. I feel very confident there is no such agreement. That is all I can say. They might have it.

The CHAIRMAN. You know nothing of it?

Mr. FRANKLIN. I know nothing at all about it.

Mr. HUMPHREY. Mr. Franklin, I wished to ask you about another phase of this question on the North Atlantic. Do the lines have any agreement or arrangement to fight an independent line?

Mr. FRANKLIN. No, sir; none.

Mr. HUMPHREY. Do they resort to methods—

Mr. FRANKLIN. Are you talking about freight or passenger business?

Mr. HUMPHREY. I am talking about both, on this North Atlantic trade, the trade between the United States and Europe.

Mr. FRANKLIN. The passenger ramifications resulted in their agreeing to take certain action against a competitor, which was practically joint action, and which was taken. But as regards freight, I know of no such arrangement.

Mr. HUMPHREY. Do you know about the fight that was made on Peter Wright & Sons—I do not recall what was the name of the line—that ran across the North Atlantic here a few years ago? My recollection is that was both passenger and freight.

Mr. FRANKLIN. No; my recollection, if I am correct in what you are speaking of, is this, that Peter Wright & Co. had what was known as the Cosmopolitan Line, I think it was.

Mr. HUMPHREY. Running from Philadelphia?

Mr. FRANKLIN. Running from Philadelphia to Rotterdam.

Mr. HUMPHREY. I think that is the line.

Mr. FRANKLIN. As far as the eastbound situation is concerned, the Rotterdam Line competed with them actively. As far as the westbound situation is concerned, the Rotterdam Line competed with them also in the same way, because they were running from port to port—the same ports—but the only other situation that would come in there would be this: That if a shipper went and asked for a contract from Bremen, Rotterdam, Hamburg, and Antwerp he would be told, "You must confine all your Rotterdam business to the Rotterdam Line instead of giving it to the Cosmopolitan Line." Do I make that clear?

If you want the general situation, that is the only way the other lines could be brought into it.

Mr. HUMPHREY. In that particular fight, in fighting that line, does not the conference resort to the usual method of employing fighting ships?

Mr. FRANKLIN. I never heard of that. The result of that was the Rotterdam Line was in active competition with the Cosmopolitan Line, and the Rotterdam Line owned their own ships. The Cosmopolitan Line, as I said, did not own any ships; they got another owner to put ships in their force under time charter; then he left them in. A line of that kind can not compete in that way with an established line. They must go in on the same basis as an established line in order for it to be a fair competition.

Mr. HUMPHREY. As far as you know, then, the lines in the conference generally did not take part in that fight?

Mr. FRANKLIN. I knew of no action except the one I have described to you. I know all the lines regretted the activity at the time, or

whatever you might call it, on the westbound situation; but as far as any joint action of the eastbound, or anything of that kind is concerned, I have no knowledge whatsoever; I never heard of it.

Mr. HUMPHREY. I heard the petitions in that case when they brought it before the Interstate Commerce Commission, as I recall, but it has been some years ago, and I only remember in a general way the allegations, but I am reasonably clear that the allegations made in that petition were that the conference lines then employed the usual methods followed, by engaging fighting ships to follow them from port to port.

Mr. FRANKLIN. No; I do not think I heard that. I had several talks with Mr. Neall, of Peter Wright's, about that at the time, and the Rotterdam Line would have given them regular ships if they wanted them for their service, and offered them regular ships for this service. I know all about that. I was in touch with it. The Rotterdam Line offered to put steamers in there.

Mr. HUMPHREY. I thought perhaps you might know.

Mr. FRANKLIN. Well, my recollection on that is, I do not remember at all any eastbound competition carried out in any other way except by the Rotterdam Line.

Mr. HUMPHREY. I should like to have you, if you will, go a little bit further into the question as to how you fix freight rates east bound. You were interrupted in that a while ago.

Mr. FRANKLIN. I wish to say that my remarks here refer to the Rotterdam Line. Of course the Cosmopolitan Line had a Scandinavian service, which was competed with by the Scandinavian Line; that is a different service; I was talking about the Rotterdam Line.

Mr. HUMPHREY. I do not know whether the other members of the committee have heard all they wish on that point or not, but I thought you were interrupted while you were telling us how the freights east bound were fixed—how the rates were made. You said they were fixed in this country and started to tell us how.

Mr. FRANKLIN. They are fixed in this country for specific ports. The Liverpool lines meet, as I outlined. There representatives meet and they discuss the rates, and they file, or, rather, they notify the minimum rates below which they will not go, and then a compilation of those rates is tabulated into a form, which we call the minutes, and that is the form which I submitted to the committee.

The CHAIRMAN. We have copies of that.

Mr. FRANKLIN. We sent copies to the committee. Now, those are minimum rates on commodities mentioned here.

Mr. HUMPHREY. Do you have any agreement or understanding in regard to territory; that is, that certain lines shall go into certain ports, or that you shall run a certain number of vessels, or that you shall in any way divide the business?

Mr. FRANKLIN. There is no limiting of ports and no limiting of vessels or tonnage, or anything of that kind.

Mr. HUMPHREY. Is there any practice of that kind?

Mr. FRANKLIN. No; in practice it works out. Were you here when I explained the capital situation?

Mr. HUMPHREY. No; I was not.

Mr. FRANKLIN. I should like to just go over that briefly. That is this, that each of these lines have grown up in the ports in which they are, have built themselves up, and their trades have developed so rap-

idly and their requirements and the evolution of the type of ship has been so great that none of them to-day have as much money or capital as they ought to use to develop their own business; therefore there is absolutely no incentive for them to attack somebody else's business, which is bound to result in a loss for a long time, when they are not taking care of their own business.

Mr. HUMPHREY. In other words, there is no tendency and no reason for fighting for each other's territory, is there?

Mr. FRANKLIN. There is no reason. For instance, take our Liverpool trade. We are adding just as fast as we can to that. In 1902 we had steamers which we thought were absolutely right for that trade. Those steamers to-day we consider absolutely obsolete. We are trying to replace those steamers. Every bit of money we can get will go into ships. We would not be foolish enough to attempt to put on a line anywhere else, when we know we would lose money, when we can not attend to our business, to our own trade, and take care of it as it should be taken care of. There is no agreement necessary to make one adhere to his own port.

Mr. HUMPHREY. I can well understand that under the circumstances there would be no necessity.

Mr. FRANKLIN. If there is new business to come up, that is a different thing. If we were all trying to fight out into new business, that would be a different thing.

The CHAIRMAN. Mr. Humphrey has referred to the fighting ship. I have heard a good deal of that in one way and another and statements to this effect, that the conference lines in a certain trade would enter into an agreement or understanding by which they would employ ships in certain trades to fight out competition. If a new line should come into the trade they would employ this ship, even at a loss, until that line should be compelled to quit; for instance, into Galveston. Now some of the conference lines run ships into Galveston. Suppose some ambitious corporation or individual should undertake to run a line of ships out of Galveston and seriously engage in competition with the established lines there now controlled by the conference. Is it true at the present time that that is a part of their policy and that they have an organization under which they can put fighting ships in there to drive that ship or those ships out of that trade?

Mr. FRANKLIN. I know of no agreement in existence to-day of that kind. You use Galveston as an example which is purely a freight port, and I know of no agreement to-day whereby that would be done against any freight service or in connection with freight matters.

Mr. HARDY. Did you read Mr. Storey's testimony with reference to his mention of the Munson Line and his belief that that line put its ships into New Orleans?

Mr. FRANKLIN. He said they put them out of Mobile.

Mr. HARDY. Out of Mobile I believe it was; yes.

Mr. FRANKLIN. Of course, that is South American trade. I read his testimony there, but we are not in the South American trade, so I could not testify from my knowledge as to that.

Mr. HARDY. Your opinion, then, would simply be your reasoning about it?

Mr. FRANKLIN. I have no idea about that; but I could say this, that so far as Mr. Storey's line is concerned, which is entirely a chartered ship line, it had absolutely no chance against the regular lines.

Mr. HARDY. I thought possibly you might know something of the relation of the Munson Line with reference to transportation there?

Mr. FRANKLIN. I could not tell you anything about that. Yes; Mr. Storey used the expression that he thought the Munson Line was simply a fighting-ship proposition. I know nothing at all about that.

The CHAIRMAN. Are any fighting ships employed by the conference lines in the North Atlantic?

Mr. FRANKLIN. There have been in the past; yes, sir. They were up to—well, I have forgotten just when it was discontinued, but only recently. The fighting ships were put on—we called them protective ships—but it is simply a question of somebody coming in and taking your business away from you and your competing with them in what you consider the most efficient and effective way.

Mr. HARDY. And those fighting ships were supported by the whole conference, were they not?

Mr. FRANKLIN. The other members of the conference. Mind you, it was only third-class passenger business that was affected. The other members of the conference contributed to make up the difference between the rate named and the tariff rate.

Mr. HARDY. Or between the rate named and the losses?

Mr. FRANKLIN. No; not the losses. The ship might be run at a loss. That is the difference in the point; the ship might make a loss.

Mr. HARDY. It was to make up the difference simply between the rates named and the regular tariff?

Mr. FRANKLIN. Yes; on the third-class passenger business only.

The CHAIRMAN. For instance, this fighting ship carried immigrants at \$30 a head?

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. And your rate was \$40 a head?

Mr. FRANKLIN. That is right.

The CHAIRMAN. Then they would go in against this competing line and charge a less rate, so as to get the traffic, then you would make up the difference between the \$40 and the rate they actually got?

Mr. FRANKLIN. Yes; but the ship might make a loss. That was nobody else's business.

Mr. HARDY. Even if it made a profit, you still gave them back the regular rate?

Mr. FRANKLIN. We gave them back the regular rate.

Mr. HARDY. But you did not have any such program as to freight?

Mr. FRANKLIN. No.

Mr. HARDY. And you say you never have had that?

Mr. FRANKLIN. I never had any.

Mr. POST. How long since those fighting ships have been discontinued?

Mr. FRANKLIN. I would say about 6 or 8 months, or 10 months, something like that.

Mr. POST. What was the cause of their discontinuance?

Mr. FRANKLIN. The cause of the discontinuance was that, in the first place, it was purely a practical matter. A great majority of the

people on this side of the Atlantic thought it was a mistake from an operating point of view; the result, from a practical point of view.

Mr. HARDY. I suppose it might be fair to assume, or is it, that public sentiment had something to do with the change?

Mr. FRANKLIN. Public sentiment had a great deal to do with the withdrawal of that action, and the matter was developed in a different way from what the lines had ever looked upon that action before.

Mr. HARDY. I will ask you another question, although I do not know whether it is strictly in line with our purpose, but does this combination have a tendency to prevent the accumulation of undesirable immigration? If you had ships that were in competition, would they or not seek to fill their holds with any and every kind of immigrant?

Mr. FRANKLIN. There is nothing worse, from our point of view, who are interested in conducting the immigration situation as a whole, so it would be satisfactory to the United States, than to have a rate war, because a rate war means that you get rates down to \$10, \$11, or \$12, the result being a lot of people can buy tickets and come over here that otherwise would not come.

Mr. HARDY. That is one phase of the question, is it?

Mr. FRANKLIN. That is one phase of the question. Now, mind you, when I say that a good many people would not believe that, but you must remember this, we are not here only for to-day; we are here for the future, and the more things that are done by these lines, or by any movement of immigration that makes the immigration problem a more objectionable one, if you can use that term, the worse it is for us in the future. We are anxious to bring in the proper type of immigrant which the country needs, and nobody else.

Mr. HARDY. Do your immigration lines have any soliciting agents on the other side to hunt up the traffic?

Mr. FRANKLIN. No; we have agents all through the other side who are there ready to sell tickets, but there are certain laws by which we have to be governed in the solicitation of business.

Mr. POST. Each country has its different laws in that regard, has it not?

Mr. FRANKLIN. But what I am referring to are the United States laws. We can do a certain amount of solicitation, but it is limited. Of course, we have agents all through the Continent and Great Britain. We are anxious to do just as much business as we can legitimately do.

Mr. HARDY. You said that in the westbound traffic the minimum rates agreed to were practically the exact rates in use. How is it with reference to the eastbound traffic? Are your minimum rates, as far as agreed on, practically the rates charged?

Mr. FRANKLIN. Except on certain occasions when the rates advance very rapidly and we go higher than the minimum rates.

Mr. HARDY. Then, you do have more exceptions to that regularity eastbound than you have westbound?

Mr. FRANKLIN. Yes; we do, for this reason, that we have a much more fluctuating situation eastbound than westbound.

Mr. HARDY. Westbound you stated your ships were rarely ever full?

Mr. FRANKLIN. Westbound I should just like to give you an example of some ships. Westbound in our Atlantic Transport Line ships out of London in 1905, our average amount of empty space on each ship was 11,000 tons; our capacity was 14,000 tons per week. That runs along at about the same ratio. In 1911 it was 11,000 tons empty space.

Mr. HARDY. Out of 14,000 tons?

Mr. FRANKLIN. Out of 15,000 tons that year. In 1912 we had 8,900 tons of empty space as an average, as compared to a capacity of 14,000 tons.

Mr. HARDY. Right in that connection, while it may not be exactly in line, but you spoke of ships from London and Liverpool, westbound, being in that condition of emptiness. Why is that?

Mr. FRANKLIN. Simply because the importations to the United States are not anything like the exportations.

Mr. HARDY. Is that in value as well as in volume of business?

Mr. FRANKLIN. Yes; in value as well as in volume.

Mr. HARDY. Is that something like the proportion of imports to exports?

Mr. FRANKLIN. It is exactly it.

Mr. HARDY. While you take out 14,000 tons you bring back only 4,000 tons?

Mr. FRANKLIN. No; we take out a large amount. I can give you our average going out, which will clear up your question.

Mr. HARDY. Let us have that, if you please?

Mr. FRANKLIN. Our average amount of empty space going out in 1905 was 5,000 tons as compared to 10,000 tons coming in. In 1911 our average amount of empty space going out was 3,900 tons as compared to 11,000 tons coming in. In 1912 our average amount of space going out was 3,216 tons empty as compared to 8,900 tons coming in.

Mr. HARDY. So that you export somewhere between two and three times what you import, is that the fact?

Mr. FRANKLIN. That is right.

Mr. HARDY. Why is that?

Mr. FRANKLIN. That comes down to our tariff question largely, does it not?

Mr. HARDY. Go back to the other question, as to your eastbound freight. Does this empty space cause your minimum rate, eastbound, to be practically your maximum rate?

Mr. FRANKLIN. Yes; when we have an empty space, then our minimum rate is always our maximum rate, so to speak.

Mr. HARDY. And you have an average empty space of about one-fourth of your vessel going out?

Mr. FRANKLIN. Yes; about one-fourth of the vessel in this service, as I have outlined to-day.

Mr. HARDY. So that on the whole your minimum rate is your rate, with some exceptions?

Mr. FRANKLIN. On the whole, on the general cargo I have named you see there is not so much of a fluctuation in our minimum rate, but on the volume of traffic that we carry, the amount of traffic that we have minimum rates fixed on—that is, something like from 2,000 to 8,000 tons, or 2,000 to 9,000 tons, something like that.

Mr. HARDY. Do you mean that the freight is fixed only as to 2,000 tons out of 9,000?

Mr. FRANKLIN. Yes; or say one-third and two-thirds. To-day it would be less than that, for the reason there is a big volume of wheat moving and a big volume of corn.

Mr. HARDY. But the greater volume of your freight is always this material on which there is not any minimum rate, is it not?

Mr. FRANKLIN. I should say about 60 per cent.

Mr. HARDY. On the nonagreed freight?

Mr. FRANKLIN. That fluctuates.

Mr. HARDY. What is the difference in the rate of transportation east and westbound, for instance, what is the difference in the rate on the same—if there is any staple commodity you ship each way from Liverpool to New York—as compared with New York to Liverpool?

Mr. FRANKLIN. They are very much the same. I think they are very much the same on a similar article. Of course, you can not get the exact article, but on a similar article they are very much the same.

Mr. HARDY. You do not ship very much of the same kind of material both ways, do you?

Mr. FRANKLIN. No.

Mr. HARDY. How about your passenger rates?

Mr. FRANKLIN. The passenger rates both ways are identical.

Mr. HUMPHREY. I should like to ask you one question on the passenger rates.

Mr. FRANKLIN. The passenger rates are identical for first and second class.

Mr. HARDY. The first and second class rates are the same, are they?

Mr. FRANKLIN. Yes, sir.

Mr. HUMPHREY. I ask you this because some gentleman, whose name I do not now recall, sent me a letter and sent me the folders showing the prices. He contended that the passenger rates were all fixed in foreign money, and that in translating the rate into our coin they would invariably add the odd cent; that the odd cent was against the American; and he had it figured out there and showed that by that practice it had cost the Americans of this country for that year something over a million dollars more than it would cost the foreigners if they had done the same traffic. In other words, the item of the odd cent was all the time against the American traveler. I do not know whether that is true or not, and I have been trying to find out. It is a small matter in itself, but a big one taking the total. I just ran across his letter again the other day, and it recalled it to my mind.

Mr. FRANKLIN. I really do not think there is anything in that, for this reason, that the rates are moved up and down here on the dollars; that is, your rate might be \$35 to-day—

Mr. HUMPHREY (interposing). Your passenger rate?

Mr. FRANKLIN. Your passenger rate might be \$35 to-day, and you might get instructions to make it \$37; you would not get instructions to raise it 2 shillings or 5 shillings or 2 marks or 5 marks.

Mr. HUMPHREY. The writer gave a long list and put it in parallel columns, and showed where it was translated in that manner so that the odd cent was all the time against the Americans.

Mr. FRANKLIN. Our rates would be raised by dollars. For instance, as I say, if you had a rate of \$37 to-day and you were going to raise it \$2, you would raise it to \$39.

Mr. HUMPHREY. What I mean is this: Suppose you go up to the ticket window, you being an American, paying in English money or in our money, or an Englishman or a German goes up paying in their money, you have got to pay a few cents more all the time, because the rates are fixed in their money. That is, the charge which he makes is that on the regular rate the American passenger has all the time to pay that differential.

Mr. FRANKLIN. In buying a ticket in this country, does he mean?

Mr. HUMPHREY. Yes; or in Europe; that wherever you buy a ticket the price is fixed in foreign money, and that you have got to pay more than the foreigner does when he buys in his own money.

Mr. FRANKLIN. I can not follow his argument, for this reason, that if you are abroad your posters will be out for so many marks, let us say, for the sake of argument.

Mr. HARDY. Now, then, what it amounts to is that they say so many marks, and translate that into our coin, that if it is 2 cents more we have to pay it, and that they never translate it the other way if it is a few cents less. We do not get the benefit of it, but are always giving the foreigners the benefit of it?

Mr. FRANKLIN. I do not see how he works that out.

The CHAIRMAN. It might be a rate of exchange or something of that kind.

Mr. HARDY. All the grocerymen do that?

Mr. FRANKLIN. You see the exchange is not converted here. In other words, if the German line would say, "Here, while our rate is in marks, when you want to buy, convert it right then and there," and you would get a little something behind, but when rates are quoted in dollars—take it at \$35.

Mr. HUMPHREY. He deals with that, and if it is \$35.40, why, then, he would say that in German money the real value would be \$35.35. In other words—

Mr. FRANKLIN. \$35.35?

Mr. HUMPHREY. Yes. He would get 5 cents less. That is his argument, and he sent me the documents—a long list. I can not translate those things.

Mr. FRANKLIN. It is all a question of conversion. I do not think there is anything in that.

The CHAIRMAN. Let us take the freight rates from this country to Mediterranean points. We have the situation from Mediterranean points to the United States. How are the freight rates fixed between the conference lines?

Mr. FRANKLIN. They are fixed exactly as the Liverpool rates, which I have just described.

The CHAIRMAN. And just as the London rates?

Mr. FRANKLIN. Just as the London rates, and there I will file with you a copy of the classification.

The CHAIRMAN. You have no tariff?

Mr. FRANKLIN. That is the tariff—classification and tariff—with the rates on each one.

The CHAIRMAN. There were no tariffs in the London or Liverpool trade?

Mr. FRANKLIN. No; I have the tariff here.

The CHAIRMAN. Will you furnish that to us, please?

Mr. FRANKLIN. There is a London and Liverpool tariff.

The document here submitted by the witness was marked by the stenographer Exhibit No. 63.

The CHAIRMAN. Of course, they are fixed by the same conference in New York.

Mr. FRANKLIN. The minutes that we filed there show you the rates.

The CHAIRMAN. I say they are fixed in these conferences, around the table, as you have described.

Mr. FRANKLIN. Just as I have described.

The CHAIRMAN. Does the Fabre Line participate in that conference?

Mr. FRANKLIN. I do not think they do. I think they are out of it now.

The CHAIRMAN. Do they maintain the same rates?

Mr. FRANKLIN. I doubt if they maintain absolutely the same rates, but they are pretty close to it.

The CHAIRMAN. They are not in competition in the sense that they are cutting rates?

Mr. FRANKLIN. I do not think they are demoralizing the situation at all. I have not heard of it.

The CHAIRMAN. Do you know why they withdrew from the conference?

Mr. FRANKLIN. No; I do not know—some matter regarding passengers on the other side, not here.

The CHAIRMAN. Is it a fact that the Cunard Line and the Austro-Americana are the only lines that operate to and from Trieste?

Mr. FRANKLIN. I think they are the only regular lines.

The CHAIRMAN. Can you explain why that is?

Mr. FRANKLIN. Oh, there is no explanation, excepting that they are supplying the demand entirely and they are covering the berths entirely.

The CHAIRMAN. You may state whether or not there is any agreement or understanding between the International Mercantile Marine and the Cunard Line and the Austro-Americana that you will keep out of that trade?

Mr. FRANKLIN. I do not know of any agreement to that effect. The majority, you see, of the third-class business, which is the important business out of there, comes in under agreement "A. A." and the other agreements, and the result is that as long as that agreement is in effect none of the lines or parties to that agreement will probably put a line in out of Adriatic ports. The Cunard and also Americana are taking care of that business very satisfactorily.

The CHAIRMAN. So that the passenger agreements naturally control the freight situation or agreements as well?

Mr. FRANKLIN. They do not control the freights in any way—purely freight—or from ports between which and the United States there is a good, big freight movement. They only control when you are running freights entirely on combined steamer of passenger and freights, and the steamer could not be run for freights, and is run only for third-class business. The freight is simply an adjunct.

Mr. HUMPHREY. That explains the reason why there is no specific agreement about freight?

Mr. FRANKLIN. That explains the reason why there is no necessity for an agreement which would cover freights from all ports to all ports, and each freight situation must be dealt with differently.

The CHAIRMAN. These are combination freight and passenger steamers?

Mr. FRANKLIN. Yes; they are; I think all of them are.

The CHAIRMAN. And, of course, they are sufficient to accommodate that trade?

Mr. FRANKLIN. More than sufficient to accommodate the trade.

The CHAIRMAN. There is no reason for anyone else to go in to take any part of the freight?

Mr. FRANKLIN. Not as far as my knowledge of it goes to-day. I do not think the Cunard Line would have gone down there except for the third-class business, and that is all.

The CHAIRMAN. Then, as to all European ports that are controlled by these combination freight and passenger steamers, the passenger situation virtually controls the freight situation?

Mr. FRANKLIN. Well, the passenger situation has a tremendous influence over the freight situation to ports to which the passenger steamers are operated and where the freight business is not large enough to supply the operation of purely freight steamers. For instance, to Hamburg and to Bremen and to Antwerp, and to a lot of the other ports that I could mention to you—Liverpool and London—purely freight steamers are operated. Therefore the freight and passenger service is there. The passenger service that is there will not control the situation from a freight point of view.

Mr. HARDY. But the Mediterranean is different?

Mr. FRANKLIN. The Mediterranean is practically different. We do not solicit eastbound freight to the Mediterranean ports. We do not care whether we get it or not.

Mr. HARDY. The passenger business controls the whole thing?

Mr. FRANKLIN. Absolutely. We sent our biggest ship out last week without a ton of freight.

Mr. HARDY. From where?

Mr. FRANKLIN. From New York.

The CHAIRMAN. Have you any contracts with shippers?

Mr. FRANKLIN (continuing). And the week before—

Mr. HARDY. Where to. Just add that to your answer.

Mr. FRANKLIN. To Naples and Genoa and on to Alexandria, simply carrying cabin and third-class passengers.

Mr. HARDY. You would bring back passengers?

Mr. FRANKLIN. Passengers, and pick up any freight we can, if she can get it without any delay or any inconvenience; that is the point of it.

Mr. HUMPHREY. Mr. Franklin, just before you take up that matter—I find here that you quote your rates in English money?

Mr. FRANKLIN. Yes; I do; always. I would not say "always," but as a general thing.

Mr. HUMPHREY. That is exactly what the gentleman was claiming, that it is always done, and then translated the total into American money at the disadvantage of the man who pays American money. That is exactly what he claims.

Mr. FRANKLIN. No; these freight rates, as you will see by looking them through there, some are English money and American money. On the other sheet, not that sheet here.

Mr. HUMPHREY. That sheet here?

Mr. FRANKLIN. No. [Indicating.] This one over here that the chairman has. No doubt the reason for that is this: It is an old established custom. Those rates are all converted by tables at about 4.85. In other words, 12.6 and 5 per cent primage is 14.06 right along the trade. There is nothing in that, Mr. Humphrey. In the passenger business there may be, but in this there is not. That is known by the trade and understood by the trade just as thoroughly as our own money.

Mr. HUMPHREY. The fact about it is, the reason why they use English quotations and the German quotations is because the English and the German dominate this trade with their ships.

Mr. FRANKLIN. Yes; they own the ships.

The CHAIRMAN. Yes.

Mr. FRANKLIN. They own the ships. We make up in many cases the manifests in English money, as a matter of convenience.

Mr. HUMPHREY. It is perfectly natural for the owners of the ship and the ones controlling the ships to do it in their own money.

Mr. FRANKLIN. We do not want to cable London that we have made so many dollars on a ship. They cable so many pounds; that is what they want to know.

The CHAIRMAN. We were referring to agreements with shippers.

Mr. FRANKLIN. Now, I have here the form, the only form that we have in our eastbound agreement with shippers, and I have just had them give me two at random, which I would rather not submit in that way for the record, because they have the name and rate of freight, but there are the blanks which are exactly verbatim to these.

The CHAIRMAN. That is the form of the agreement?

Mr. FRANKLIN. That is the form of the agreement.

The forms of agreement here submitted by Mr. Franklin were marked for the stenographer Exhibit No. 64.

The CHAIRMAN. Is that the only form of agreement?

Mr. FRANKLIN. No, sir; the great majority of our agreements are made on either brokers' notes, which is really only a memorandum sent along by the freight broker to us, or by letter. As a general proposition our shipping arrangements with the firms are not made on any agreement—simply confirmed by brokers on brokers' notes, and we pay the broker $1\frac{1}{2}$ per cent.

The CHAIRMAN. Are there any deferred rebates on eastbound traffic?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Are there any discriminations between shippers on the freight eastbound?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Any discrimination between the shippers on the freight eastbound?

Mr. FRANKLIN. No, sir. The shipper can get at the same time—any shipper can—at the same time and under the same conditions, the same rate.

The CHAIRMAN. What are those conditions?

Mr. FRANKLIN. It is entirely a question of supply and demand. If a grain shipper comes in to-morrow and wants a rate of freight for next June, we may name him, as we would to-day, $3\frac{1}{4}$ pence; if we took all the June shipment of corn that went at $3\frac{1}{4}$ pence, our next day may be 4 pence, but every shipper gets the same rates for the same condition.

The CHAIRMAN. Irrespective of quantity?

Mr. FRANKLIN. Yes; irrespective of quantity. If a man came in with a tremendous quantity of grain and made a firm offer, we may find it would be a big influence to have to break the rate for the time being, but then we would probably take in the same load at the same rate. The rate once broken establishes it. It is a question of supply and demand, and a question of what steamer can be employed and how they can be used.

The CHAIRMAN. The purpose being to employ it—

Mr. FRANKLIN. In the most profitable way you can; and I venture to say that the average tramp steamer could not be chartered and put into any of the United Kingdom and continental trade and take their general traffic and pay its way.

Mr. HUMPHREY. They would not have the same facilities you do, would they?

Mr. FRANKLIN. They would not have the same facilities that we do in one sense of the word, but their facilities might cost them less if they charged them up, because they may be able to go to some place and get wharfage at very much less than our ships, because we have to have proper terminals. They only come in occasionally, but the disadvantage is on general cargo; that is the point I made this morning. They are on an equal basis when it comes to big, bulk traffic. I would not say "equal," but pretty close to being equal; but when it comes to general cargo they are not on an equal basis.

Mr. HARDY. When a contractor wants to ship out a lot of lumber from southern ports, they can get a chartered vessel that will be on the same basis and have the same facilities that you might have?

Mr. FRANKLIN. Yes; he may have to pay a little bit more on terms, but that is all there would be.

The CHAIRMAN. When it comes to regular trade and regular cargo which must be dispatched at regular intervals they can not compete and could not maintain themselves at the same rate?

Mr. FRANKLIN. Could not maintain themselves at the same rate, and they could not compete, because the merchant must have regular service and ship every week, and he is quite ready to pay the regular line more than the tramp ship, in order to get those facilities for the miscellaneous general contracts. A great many of them want to make contracts for the balance of the year and sell goods on those contracts. They do not want a fluctuating rate; they want a fixed rate; they want to know when they are going to go and what facilities they are going to have.

The CHAIRMAN. Because they realize that the rate may go up. If it would go down they would not be concerned. That is the reason they make contracts.

Mr. FRANKLIN. Just like that contract I have submitted, because that settles them for the balance of the year.

The CHAIRMAN. If there is a chance of the rates going down, rather than going up?

Mr. FRANKLIN. The chance that the rate is going down is not going to hurt them, but if it should go up it would hurt them.

The CHAIRMAN. I say, the chances of the rates going up is the inducement for them to enter into the contract?

Mr. FRANKLIN. That is right; it is a protection to the shipper.

The CHAIRMAN. Where you have this contract, is it the understanding that the shipper shall give all his shipments to the line?

Mr. FRANKLIN. It is always a matter of stipulation. There are some shippers who will make a contract with you, in accordance with this form of contract, whereby we are to get all the business of this shipper for the balance of the year. Another shipper may come in. He may want to ship 12,000 or 15,000 tons of stuff, and he may say, "I would like to ship and make a contract with you to give you 8,000 tons. I will want to keep my other 4,000 or 7,000 tons to be moved as I see fit," and as long as he commits himself to the rate that we agree upon it is quite satisfactory. We will always try to get as much business as we can from the shipper.

The CHAIRMAN. Mr. Franklin, this inquiry is being made for the information of Congress, and later on this committee may be called on to make recommendations as to legislation. I wish you would tell the committee your views on that matter.

Mr. FRANKLIN. Gentlemen, that is a very difficult matter. It is a matter that we have all been considering recently.

The CHAIRMAN. I understand. Certain suits are pending against the lines in the North Atlantic trade and in other trades, wherein it is claimed that they are operating in violation of the terms of the Sherman antitrust law. Of course what we would like to know, from your viewpoint, is what legislation could control this situation and avoid whatever criticism that may attach to the present methods.

Mr. FRANKLIN. The difficulty in arriving at anything we may recommend to you is this: That we all feel that the trade has got to be looked upon in a different way from the railroad business, which is an interstate business and all within the boundary of the United States, so to speak. In this trade that we are dealing with—the United States—the merchants of the United States are competing with the merchants of other countries.

The CHAIRMAN. Right in that connection state what objection, if any, you have to our fixing a schedule of rates, for instance, and filing them with the Interstate Commerce Commission, like the railroads.

Mr. FRANKLIN. That is just what I want to come to. If it is necessary for us under the laws of the United States to file a rate and not change that rate for a certain fixed time, the merchants of the United States may lose the chance of a sale of a good many commodities in the markets abroad, such as Liverpool, Hamburg, and others, where they are competing with the products of Russia, Argentina, Australia, and New Zealand and every other producing country. It is not as if it were just in your own country. As an example of a contract for a large amount of wheat—

Mr. HARDY. Right in that connection, suppose you had the privilege of lowering rates without the consent of legal authority but not the privilege of raising rates?

Mr. FRANKLIN. I will just answer this, and I will go back to the example of wheat.

The general point in being able to raise your rate of freight would be this: That gradually your trade might become less attractive to the foreign ships than the trade of other countries, where the ships would have the right to raise the rate in accordance with increased operating expenses and other expenses and everything of that kind. Therefore, it might result in your services being reduced; in other words, where they can not maintain a weekly service the lines may say, "Well, hold on, I am losing money here. I am going to reduce to a fortnightly service." In the last 10 years there has been a great deal more money lost than made in carrying freight across the North Atlantic, and the United States owners of railroad capital can be very thankful that they did not have their money invested in freight-carrying ships across the North Atlantic, and the commerce of the United States has been carried at a lower rate per ton across the North Atlantic than commerce has ever been carried in the history of the world. We have carried flour from Boston to Liverpool at 5 cents a hundred, including the cost of loading and discharging, that was the average rate over a term of years, almost—

MR. HUMPHREY. How much would that be a barrel, and I can comprehend it better.

MR. FRANKLIN. I think a flour barrel is 195 pounds, and we carried that at 5 cents a hundred pounds, that is 10 cents a barrel, or a little less. We can not put it in and take it out for that price.

Our grain freight has been ruinously bad, and every other freight has been bad. Only a few of the commodities have paid a reasonable rate.

Just to show you, as an example, the I. M. M. Co., owner of the Leyland Line, which was a very excellent line and which had been a very profitable line up to 1901. They paid a very big sum of money for it, and they have never, since 1902, received a dividend until this year. This is the first year, 1912, that they have ever gotten a return on a dollar. That line is purely a trade line. And if you fix a maximum or minimum rate, you are going to do your commerce an injury.

I want to tell you about the sale of a lot of grain, which shows you the necessity of having fluctuating rates; that is, a merchant in Liverpool wants to buy a certain quantity of grain for some mills. He gets his offer of grain from the Baltic, from Australia, from the Argentine, and from the United States. He buys what he finds to suit his grades of flour and what is the cheapest grain, and he makes his offer on it, right off that day. That offer may come into any one of our places, for the sake of argument, the Liverpool Line, as we have done it twice in the last three weeks. A big lot of grain might come in and the shipper would say, "We will give you a hundred loads of grain, if you will take it at such and such a rate, and close out." We say, "Done; we will take it. We want the grain; we have the empty ships." If we did not take that, it does not necessarily come back at a higher rate. It may be Australia; that may be the Black Sea; that may be the Argentine. If we are under such control that we can not change that rate, it is going to be detrimental to the export business of the United States. I mean, when I say that, volume business—the big business, which is the backbone of the trade.

Mr. HUMPHREY. Now, Mr. Franklin, if you are through—
The CHAIRMAN. Let him go ahead.

Mr. HUMPHREY. I do not want to interrupt you, if you are not through.

Mr. FRANKLIN. We have given a great deal of thought to what could be done, and the only thing that we can see as a starting point would be publicity, because we claim, whether rightly or wrongly—you gentlemen will be the best judges of our method of conducting business, which is an agreement on rates, and in some cases pooling, as the only way that the trans-Atlantic and the foreign trade can be properly, economically, and efficiently handled, and result in good services, giving the merchant good service. Therefore, if there is any law passed which prohibits our doing absolutely that which we are doing, we say it is going to be detrimental to the trade at large and to the export and import business, particularly the export. Therefore, the only thing we can see in any way would be the question of supervision, and then let us see where we are wrong later.

Mr. HARDY. Do you not think it would be a good idea for some legislation to require the railroads to give exactly the same prorating with all vessels with whom they ship?

Mr. FRANKLIN. Well, of course, that comes in only in the coastwise business, and coastwise trade, and we are not in that trade, and I am not sufficiently familiar about how detrimental that might be to the continuance of a certain regular line. I would say that if a line is to be established by somebody who will put in equal facilities, but the difficulty is to get that somebody who can maintain proper facilities.

Mr. HARDY. But if your line enjoyed a prorating with the railroads for cargo that you carry destined for interior points that is of greater advantage to you than to another ship, that other ship can not live in competition against that?

Mr. FRANKLIN. No; it is bound to drive it out.

Mr. HARDY. Ought not that to be by law equalized so that they will be bound to give all ships the same prorating?

Mr. FRANKLIN. It does not seem that there should be any rates applicable from a port on certain kinds or classes of traffic that are not applicable to all.

Mr. HARDY. In other words, that is justice?

Mr. FRANKLIN. That seems to be justice. There may be other conditions beyond that which would make it possible for the railroad company in fairness to itself, and to the amount of traffic, and all that kind of thing, to give the same facilities as the other fellow. I do not know whether—

Mr. HARDY. The other type of justice would require the same facilities and the same time?

Mr. FRANKLIN. Where we are operating we demand the same rates and the same facilities as anybody gets.

Mr. HARDY. In other words, you come under the "favored-nation clause"?

Mr. FRANKLIN. No; I do not know that we do. We are waiting to see.

The CHAIRMAN. Have you any agreements with any railroad companies?

Mr. FRANKLIN. No agreements of any kind as regards any traffic or amount of traffic, rates, or anything of that kind. The only thing is, we have an understanding that we get free wharfage. We go in and use the terminals and we get free wharfage, and there is a berth for us all the time.

The CHAIRMAN. You have no agreements with them by which you are to have the exclusive business of any line?

Mr. FRANKLIN. Our understanding with them here is this: This is really the way it works out, that as long as we maintain the service between two ports that is entirely satisfactory to the railroad they will give us their dock free of charge, and they, of course, will not encourage any outside competition to come into that dock or those facilities.

The CHAIRMAN. I want to ask you now about one matter in regard to advertising the rates.

Mr. FRANKLIN. That has always been a puzzle.

Mr. HARDY. Before you leave this there are one or two questions I would like to ask:

Did you testify about prorating between the railroads and steamship lines?

Mr. FRANKLIN. We have no prorating arrangement at all.

Mr. HARDY. You have none whatever on ocean freight?

Mr. FRANKLIN. Not a thing. You see, we are in no way under the jurisdiction of the Interstate Commerce Commission, and in order to prorate with a railroad you would have to come under the jurisdiction of the Interstate Commerce Commission. But that is so, as I understand it, with a great many of our coastwise lines, because they come under the commission. Any tramp coming in, you see, would not come under the jurisdiction of the Interstate Commerce Commission, and therefore would not have to file those tariffs with Washington and could not make that prorating arrangement. Did I make that plain to you?

Mr. HARDY. Yes; I understand. Mr. Kennedy, however, made quite a talk in Congress on that, and spoke of certain industries of ours which had difficulty in competing with their competitors in Germany because the freight rates to the foreign importers were less to points of interior destination than the railroad rates from New Orleans on home products.

Mr. FRANKLIN. Well, the rate of freight from certain points across the Atlantic to New Orleans would frequently be less than they are for a much shorter haul on other near-by places to New Orleans by rail, if that is what you mean.

Mr. HARDY. I know, but that is not what his statement was. I think it was that points in the interior were reached at less rates of freight from Germany than they were from New Orleans on freight beginning in this country.

Mr. FRANKLIN. He might be able to, but I do not think that he could prove his figures. Of course, it is true that import rates on import traffic on certain commodities are lower than the ordinary rate.

Mr. HARDY. Than the local rate?

Mr. FRANKLIN. Than the local rate; but it would not be as big a difference as that.

Mr. HARDY. Does your line have any understanding with a railroad as to keeping the rate lower than the local rate?

Mr. FRANKLIN. No, sir. That is where we benefit in every way over the coastwise lines. We have no understanding of any kind regarding prorating or rebating with the railroads, or anything of that sort, which gives us any advantage over the published tariff rate.

Mr. HARDY. So in giving a thorough bill of lading from Bremen to some points in the United States, it would give the through rate, plus the local rate?

Mr. FRANKLIN. Yes; and by instructions from the Interstate Commerce Commission the railroads have to show the rates and conditions. You have got to show the through rate and then show how it is divided, because we do not prorate at all.

Mr. HARDY. That prorating is in the coastwise trade?

Mr. FRANKLIN. It is in the coastwise trade, and, as I understand it, it is only on the established coast lines that come under the jurisdiction of the Interstate Commerce Commission, as far as that prorating and those arrangements are concerned, and I do not see that it can be extended to others that do not come under the jurisdiction of the Interstate Commerce Commission.

Mr. HARDY. There is no way of extending it by agreement between you.

Mr. FRANKLIN. Yes; that is right.

Mr. HUMPHREY. There are one or two other matters I want to ask you about. The first thing I want to ask you about is this question of giving notice of your rates. This has always occurred to me in considering that. Suppose now, for illustration, that you are compelled to give notice of what your rates will be for 30 days. I believe that has been proposed. Now, take my home port as an illustration. Suppose that there is an American vessel, one American vessel running from there, and in competition with it are the Japanese lines. They are supposed to be in competition, and suppose they are really in competition.

The CHAIRMAN. I think that is hardly a fair supposition in view of the evidence that we have that they are not in competition.

Mr. HUMPHREY. But suppose that they are in competition, and suppose in that case we required the American line to give notice for 30 days what its rates were going to be. The question has always occurred to me if that is not giving an advantage to the competitive lines, so that they could cut the rates under it and get the freight away.

Mr. FRANKLIN. That is the difficulty. If you compel the American lines to give this notice you would decidedly have trouble there. The foreign line would wait until the American line, with which it was competing, had published its rate, then make a slightly less rate and get all the traffic.

Mr. HUMPHREY. That has always occurred to me, that if you had to advertise the rate and give notice of 30 days, a tramp could come in and get under that.

Mr. FRANKLIN. If we had a fixed rate the result of it would be, after we had published our rate and it could not be changed except upon notice, that a tramp or anybody else that had not filed its rates could come in and take the business away from us. To carry that

along a little further, the result would be that the regular line would then reduce its sailings, and then the tramp in that time would disappear, and the merchants would have no service in that trade.

Mr. HUMPHREY. There is one other question I wanted to ask you: I have seen it stated frequently, and I will give you a few illustrations, that the rates from Europe to certain inland points in the United States were less than from points within the United States. To illustrate: I heard a manufacturer testify that a ton of pottery could be brought from Germany to Denver—I do not know whether Denver is the place or not; we will take it for illustration—cheaper than the same pottery could be carried from New York to Denver, although it might be brought over the same line.

Mr. FRANKLIN. Of course, if he had the figures, I do not want to dispute those figures; but there has always been a difference between the railroad rate on import traffic and the local traffic. Now, the rate, I hardly think, would be less than 50 per cent, practically, which it would have to be. Don't you see, you have got to give the ocean something; the ocean carrier is not going to carry that for nothing.

Mr. HARDY. That is what Mr. Kennedy was speaking of.

Mr. FRANKLIN. Yes. Now, those cases could be quickly cleared up by appealing to the Interstate Commerce Commission for their table of local and import rates.

Mr. HUMPHREY. Now, there is another case of this kind where it was claimed that plate glass brought from some point in Europe, Belgium, I think, that the rate on plate glass was cheaper from Belgium to St. Paul coming by way of New Orleans, I believe, than it was from New York to St. Paul or from Pittsburgh to St. Paul. Then, there is another commodity in which I have seen it repeatedly claimed that it is cheaper to send a crate of beer from Germany to Denver than it is to send a case of the same size from Cincinnati to Denver.

Mr. FRANKLIN. All of those examples prove the reasonableness and show how very low our freight rates have been across the Atlantic, you see.

The CHAIRMAN. They claim our tariff law is faulty in that way.

Mr. FRANKLIN. As long as we give you reasonable service across the Atlantic, I do not see how we are to blame for it.

Mr. HUMPHREY. The inference is bad, even if there is an understanding between the railroads and the steamship companies for the division of rates.

Mr. FRANKLIN. The point in my mind is this: That I do not think any railroad can make a prorating and a conditional arrangement with a steamship line without filing it here in Washington. I do not think they would even consider it.

Mr. HARDY. I think the way that is gotten around and the same thing accomplished is that they have commodity rates, and that some commodity rates are put down.

Mr. FRANKLIN. They have commodity import rates.

Mr. HARDY. Yes.

Mr. FRANKLIN. And they have import rates that apply on other articles. Now, the rates on commodities are not the same as article rates.

Mr. HARDY. Not at all the same.

Mr. FRANKLIN. Of course if you originated a shipment of glassware in New York or Chicago, one rate might apply, whereas if that was coming from Hamburg there might possibly be a lower rate.

Mr. HARDY. The lower rate is not always the same scaling for all the imports, but for one import they may make a very much lower rate, while for the other they may make the local rate.

Mr. FRANKLIN. But all of those rates and all of these conditions have been matters that the Interstate Commerce Commission has gone over very carefully, and they have all been made for good and sufficient reasons in order to enable the railroads to get some of this traffic and to move it and for the shipper to move his business.

Mr. HUMPHREY. I understood you to say that there had been no profits in the carrying trade across the North Atlantic for how long?

Mr. FRANKLIN. I gave you an example—that the Leyland Line, which is one of the very excellent services, did not pay a dividend on its preferred or common shares between the years 1902-3 and 1912.

Mr. HUMPHREY. What I want to ask you is, if that is the fact, how the Hamburg-American Line is enabled to pay on its capitalization of \$96,000,000, 8 and 9 per cent? I have seen their statements twice.

Mr. FRANKLIN. I think this year they will probably pay a little bit more.

Mr. HUMPHREY. How does it happen that the Hamburg-American has been able to make a profit of that much? I saw one of the statements, and, unless I am a very poor judge, it was nearer 25 per cent than 9.

Mr. FRANKLIN. That profit, Mr. Humphrey, is made very largely in their venture, say, out of the passenger business and the long-haul freight business, and of course with the passenger business they carry freight in combination steamers.

Mr. HUMPHREY. You mean freight business alone?

Mr. FRANKLIN. I said particularly the freight business. The freight business has been, as a general proposition, the most remunerative across the North Atlantic.

Mr. HUMPHREY. Is the profit of the Hamburg-American, in your judgment, due in any degree to the monopoly that it has in certain directions?

Mr. FRANKLIN. I should not say so. I should say it is due to the fact that the company is about 65 years of age; it is admirably operated; it has worked its business up thoroughly; it has kept its capital in very good proportion to the actual floating property, its tools, its producing property, and it is in very fine financial condition. Now, it is probably due to the fact that the world's conditions of transportation are becoming a little more stable.

Mr. HUMPHREY. Is it not also due to the fact that it is such a powerful company that it can fix the rates, and no other company dare enter its field to undertake to cut under what it fixes as the minimum? Has it not reached such a power that it is practically a monopoly, so far as the fixing of rates is concerned, in its field?

Mr. FRANKLIN. It thoroughly covers the Hamburg business, and it fixes the rates of the Hamburg trade, and it takes care of that trade, and it fixes such reasonable rates that nobody could profitably undercut that business. Did I get that clearly before you? In other words,

the point I want to get clear before you is this: If the Hamburg company deliberately raise their rate basis far above the basis of the trades generally the world over, they would have competition right off. There are lots of people that own steamers and that operate steamers who are not affiliated with the Hamburg company in such a way but what if the Hamburg company turned around and took that position they would go into Hamburg and get the business if the Hamburg rates were too high. Unless they keep their conditions reasonable, they will have competition.

Mr. HUMPHREY. There is no company in shape financially, though, unless possibly it might be the Royal Mail, to enter into a commercial war with the Hamburg-American, is there?

Mr. FRANKLIN. I would say this: There is no company that has not its business or has not a field in its own business to expand to its maximum, and therefore anxious to go into the Hamburg field.

Mr. HUMPHREY. Now, is it true, Mr. Franklin, that there is no other company upon the Atlantic Ocean, with the single exception of the Royal Mail, that is strong enough to enter into a real fight with the Hamburg-American?

Mr. FRANKLIN. No; I do not think I could say that is true. Mr. Humphrey, for this reason: Suppose there are several lines that to-day may be only freight lines, for the sake of argument, and may have no big line of business, and suppose their financial position is such that they could go to their bankers and borrow \$15,000,000 or \$20,000,000, and they would say, "Now, we are going to put a line in from New York to Hamburg." They could do it, but it would have to be some company that had the capital to develop it, and everything to tide it over in a lot of other stress.

Mr. HUMPHREY. How long would \$15,000,000 or \$20,000,000 last in a war with the Hamburg-American?

Mr. FRANKLIN. As conditions are to-day, it would last for a very long time, if you had new ships—not with old ships.

Mr. HUMPHREY. How much of an investment would be the initial investment of a good line?

Mr. FRANKLIN. Well, it would depend upon the type of steamer you want to put in. If you wanted to put in a type of good combined passenger and cargo steamers, you could get five steamers to-day for about two and a half million apiece to do that work. It is all a question of capital. The point of it is this, that the Hamburg company has the most modern tools, the best ships; it is splendidly organized, and it is bountifully capitalized.

Mr. HARDY. You mean it is not watered stock?

Mr. FRANKLIN. Not a bit of water in it.

Mr. HARDY. Take the Leyland Line; is that the trouble with it, that it does not pay any dividends, that they are overcapitalized? Has that been the fault in the last 10 or 12 years?

Mr. FRANKLIN. No; the fault in the last 10 or 12 years has been that it has not had any earning capacity.

Mr. AYRES. Why hasn't it had?

Mr. FRANKLIN. Because freights have been too low. It has a tremendous investment in the Boston, Liverpool, and London trade.

Mr. AYRES. And in eight years they have not made depreciation and interest?

The CHAIRMAN. They have the floating property to represent the capital, haven't they?

Mr. FRANKLIN. They have the floating property to practically represent the capital. There may be some water in it, but nothing to amount to anything.

Mr. HUMPHREY. To put the question in another way, the Hamburg-American in its field to-day has no active competitor, has it?

Mr. FRANKLIN. It has competitors on all its through business and indirect business and that sort of thing, but between its main north Atlantic ports it has no active competitor. Where you get the grain, where you get down into the cotton ports, it has active competitors, but they are largely season services.

Mr. HUMPHREY. Don't you think it would follow as a matter of course that a steamship company is going to make money when it has an inviting field and no competitors?

Mr. FRANKLIN. They will make money if their financial position is such that they can keep their modern steamers in and develop that business and carry it on the most economical basis.

Mr. HARDY. Your idea is that they are prevented logically from overcharging by the reasonable anticipation that that will bring on real competition?

Mr. FRANKLIN. Yes.

Mr. HUMPHREY. That must certainly be a mighty comfortable position for the company to be in.

Mr. FRANKLIN. It is a magnificent position; it is a position we all admire.

The CHAIRMAN. It is not one to be deplored from the standpoint of commerce.

Mr. FRANKLIN. No; and let us go further. It is one they deserve from their own labors. They deserve it.

The CHAIRMAN. If you get a book called "The Port of Hamburg," and read it, you could not but be filled with admiration for it.

Mr. FRANKLIN. You can not help but admire it tremendously, and they have shown a tremendous amount of ability in it. They handle their business beautifully, and they are very active people.

The CHAIRMAN. We want to get back to the question of publicity. I want you to develop that idea, how far we should go in the way of legislation.

Mr. FRANKLIN. The only thing we feel could possibly be done—and I do not know whether the majority of the shipping trade agree with me on that or not—is the question of filing the rates at some place in Washington for general supervision, to which shippers can apply and see what rates are in force at the time and what other people are getting. We feel there is no other way to conduct our business except by working together in the manner in which we are now working.

The CHAIRMAN. Well, of course, if this discrimination or rebating exists in any trade, would it not be a good thing to prohibit that?

Mr. FRANKLIN. Absolutely. And I think this, that the object in filing it would be that there is the rate of that day. We would have to prove in the case of any difficulty that we offered to a shipper that rate on that day, that everything was equal to all, an equal chance

to everybody to ship at that time. We might get all we wanted to-day, and we might be out of the market to-morrow.

The CHAIRMAN. Do you say, with reference to deferred rebates also, that they should be prohibited by law?

Mr. FRANKLIN. We have never used deferred rebates, and I know very little about them. They have been, by people who have used them and by lines who have used them, found very advantageous not only to the shippers, but to the steamship companies. But I think the sentiment in the United States regarding the rebates is such that I do not care about advocating that we be allowed to have them.

The CHAIRMAN. Some of the shipping lines, as well as some of the merchants, I think, have voiced the opinion that they ought to be prohibited by law.

Mr. FRANKLIN. The very word "rebate" in the United States has not a very satisfactory meaning. I do not think there is any use of our pressing for anything of that sort.

The CHAIRMAN. Then, again, with reference to the agreements between the conference lines, what do you say about the law requiring those agreements to be filed, say with the Interstate Commerce Commission or some other like tribunal, instead of having all this doubt as to whether or not they are legal, and remove any controversy of that sort.

Mr. FRANKLIN. I feel that the present position of the steamship companies is rather an unfortunate one, where all their agreements are looked upon with suspicion, more because the other fellow does not know what is in them than because of what is really in them, and I think, as far as agreements pertaining to business from the United States are concerned, it would not be at all prejudicial to business to have them filed.

The CHAIRMAN. We have repeatedly called for agreements in these different trades, but it appears that the American agents do not know anything about them, never saw them, and only have the opinion that they exist. The very fact that they are held abroad and that there is no inclination to give them up to us for consideration that we may know their terms creates suspicion, of course, that they are bad, that they do not want them to see the light of day. We are not assuming that that is true; but if they are all right, if they are based on sound economic principles and are not prejudicial to commerce and do not encourage monopoly, there is no reason why they should not be filed or supervised by some competent tribunal.

Mr. FRANKLIN. Now, are you talking about the westbound or east-bound?

The CHAIRMAN. Westbound.

Mr. FRANKLIN. Westbound as well as eastbound?

The CHAIRMAN. Yes. I am assuming, of course, we could by legislation compel them—that is, ships engaged in our trade, clearing from American ports—to do that as a condition precedent. If it is a good rule for you to file your agreements in the outgoing trade, why not in the opposite direction as well?

Mr. FRANKLIN. Well, generally speaking, I do not see any serious objection to it, because I believe that all these agreements that so much fuss has been made out of are all absolutely reasonable and

good economic propositions for the commerce of the United States both east and west bound.

Mr. HARDY. If they are not, that is all the more reason why they should be known.

Mr. FRANKLIN. That is what I say, why I am in favor of filing the eastbound. I do not like to say anything about the westbound situation. It is not one we have any control over here; but as far as the eastbound is concerned, we do practically control that, and I see no objection to filing the agreements and filing our rates of freight, but I do see very serious obstacles and objections to having rates fixed and not subject to change without notice.

The CHAIRMAN. I can see the force of your objections.

Mr. FRANKLIN. I do not care anything about the publicity.

Mr. HUMPHREY. Don't you think it would be a good thing for this country and have a great tendency, or at least give us an opportunity, to protect our commerce if all these transactions were made public, so that everybody would know just what was being done by every vessel that comes into our ports, from the standpoint of the commerce as a Nation? Don't you think we ought to know just exactly what is being done?

Mr. FRANKLIN. I do not see where it would be particularly beneficial to you, but, on the other hand, I do not see where it would be particularly detrimental to the other fellow.

Mr. HUMPHREY. It would be beneficial to us in this way: At least we would know what was going on and would be guaranteed that there was not something taking place in the dark.

Mr. FRANKLIN. It would relieve your suspicion; that is the whole situation.

The CHAIRMAN. Of course, it is estimated that about 92 per cent of our commerce is carried in foreign ships; and it has been urged, too, with much force, that our commerce is discriminated against in favor of Europe. Now, what are the conditions in the North Atlantic trade, as far as you know?

Mr. FRANKLIN. I have never heard of anything of that kind, as far as discrimination is concerned. You see, that does not come into the North Atlantic trade at all, because the North Atlantic trade is between the two countries; it is not a trade in which the two countries are shipping to an indirect point and competing, except where you are taking transshipment business.

The CHAIRMAN. I understand that, too; but commodities moving from this country to Europe—are they handled equitably as compared with commodities from Europe to this country?

Mr. FRANKLIN. Oh, absolutely. The steamship companies are anxious to get all they can. That is the point about that. We do not care who is selling, just so we are carrying it.

The CHAIRMAN. You say you are not familiar with the indirect trade, say, the Brazil trade?

Mr. FRANKLIN. No; not to South America; we are to Australia and New Zealand. We make those rates without any regard to any buying or selling of commodities.

The CHAIRMAN. Is there any discrimination against our American merchants and manufacturers, against those of Europe in the far eastern trade?

Mr. FRANKLIN. None that I know of at all.

The CHAIRMAN. Of course, these are foreign lines under foreign ownership for the most part. You say there is no such discrimination?

Mr. FRANKLIN. Not that I know of.

Mr. HARDY. Are the rates as low from New York to Australia as from London to Australia?

Mr. FRANKLIN. Yes; they are; sometimes lower.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. FRANKLIN. I think you can realize how difficult it would be for us. In the first place, not only does the ballasting feature come in, but it is the question of the tramp and all that sort of thing. If we were tied up as the railroads are tied up I do not see how we could work for business.

The CHAIRMAN. The tramp in bulk cargo comes in competition with the regular lines? Isn't that one difficulty in the question of regulation?

Mr. FRANKLIN. That is exactly what I was saying. We may have a rate filed in Washington that might be subject to only five days' notice. A tramp would come in over night and take the business at whatever rate it saw fit, and we could not touch it without subjecting ourselves to certain penalties.

The CHAIRMAN. Unless the tramp were placed under the same supervision?

Mr. FRANKLIN. It is difficult to see how you would do it, because it is not only the tramp himself, but the charterer and anybody else. He is an absolutely free lance, and I do not see how you could tie him up.

The CHAIRMAN. We have evidence here that Grace & Co., I think, engaged in trade to the west coast of South America, and they are also merchants as well as operating steamship lines. Of course they buy their commodities, assemble them in New York, say, and ship them to their houses on the west coast of South America for distribution. At the same time they will take a cargo to fill their ships. That is a situation that, in your opinion, it would be difficult to meet if you are compelled to file your rates?

Mr. FRANKLIN. I do not see how we could meet it. We might get caught and the ship would not stand up. If we can not take grain right off we might have serious difficulties.

The CHAIRMAN. Were there any other documents called for in the subpoena that you have?

Mr. FRANKLIN. No; I have not anything here. I think I have given you everything you want. If you find anything more that you want, let us know.

Dr. HUEBNER. We have a copy of the contract, haven't we?

Mr. FRANKLIN. Yes. I am very much obliged to you, gentlemen.

Mr. HARDY. We are very much obliged to you, sir. You have presented to the committee good matter for thought.

The CHAIRMAN. It is 4 o'clock, gentlemen. We will adjourn until to-morrow morning at 10.30 o'clock.

Thereupon, at 4 o'clock p. m., an adjournment was taken until to-morrow, Friday, January 24, 1913, at 10.30 o'clock a. m.

FRIDAY, JANUARY 24, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Thayer, Burke, Stone, Post, Stephens, and Faison.

The CHAIRMAN. Mr. Lorenzo Daniels, representing the Lamport & Holt Line, has furnished a copy of the agreement between the Booth Line, Quebec Steamship Co., and the Lamport & Holt Line, relative to the present first-class rate from Barbados to New York, and it will be inserted in the record at this point.

The paper here submitted was marked by the stenographer "Exhibit No. 65" and is as follows:

EXHIBIT No. 65.

SEPTEMBER 6, 1912.

Messrs. BUSK & DANIELS,

Agents the Lamport & Holt Line, Produce Exchange, City.

DEAR SIRS: Referring to conversation between your Mr. Daniels, Mr. Sandford, of the Booth Line, and the writer, we beg to confirm the decision to advance all passage rates to and from the West Indies beginning October 1, 1912, \$5 on each first-class ticket and \$2.50 on each steerage ticket.

The Royal Dutch West Indian Mail are making the same advance in passage rates from October 1, and it is understood that the four lines will advise their West Indian agents by first direct Barbados mail, which closes on the 9th instant at 11.30 a. m.

We are explaining to our agents that the advance is made necessary owing to the heavy additional expense incurred by the passenger trade, under the new law requiring steamers to carry two wireless operators, and to be fitted with an auxiliary from October 1, next. Please confirm.

Yours, truly,

A. E. OUTERBRIDGE & Co.

TESTIMONY OF MR. FRANKLIN D. MOONEY, VICE PRESIDENT AND GENERAL MANAGER OF THE NEW YORK & PORTO RICO STEAMSHIP CO. AND GENERAL MANAGER CLYDE SANTO DOMINGO LINE, 11 BROADWAY, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give your name to the stenographer, your address, and your business connections.

Mr. MOONEY. Franklin D. Mooney, 11 Broadway, New York; vice president and general manager New York & Porto Rico Steamship Co.; general manager Clyde Santo Domingo Line.

The CHAIRMAN. I understand you want to make a preliminary statement. If so, Mr. Mooney, proceed.

Mr. MOONEY. Mr. Chairman, in view of the fact that the name of the New York & Porto Rico Steamship Co., as well as my own, has been before your committee, I should like to make the following statement:

Early in 1900 the firm of Miller, Bull & Knowlton, composed of Archibald H. Bull and Henry T. Knowlton, was in the ship brokerage business and was also the managing agent of the New York & Porto Rico Steamship Co.

Differences had arisen between Messrs. Bull and Knowlton and they decided to separate.

The New York & Porto Rico Steamship Co. desired to discontinue the managing agency and to control its own affairs under a general manager.

Messrs. Bull and Knowlton sold out their interests in the New York & Porto Rico Steamship Co., and a part of the agreement was that neither should go into the Porto Rico business for 10 years. This agreement could be waived by the New York & Porto Rico Steamship Co., and in the case of Mr. Knowlton it was waived, and he was appointed general manager of the company in May, 1900, and sold out his interest in Miller, Bull & Knowlton to Mr. A. H. Bull.

After his separation from Knowlton, Bull carried on business under the name of A. H. Bull & Co., organized the A. H. Bull Steamship Co. and went into the coastwise business. After the expiration of the 10 years he entered the Porto Rico service with his line and made announcements that he would cut the rates 20 per cent.

It was in the early part of 1911 that Mr. Bull started his service to Porto Rico, and for some time after that we ignored his competition and did not cut rates, but later found it necessary to take steps to meet the competition, which we did. A rate war ensued and freights declined to an unremunerative basis, and have continued so to this day.

On November 17, 1911, Mr. Bull called at my office and explained that he felt that he was entitled to a share of the Porto Rico business, having been in it previously, and he had therefore started his line and intended to continue. He said he did not want a rate war, and voluntarily offered to limit the amount of tonnage or the number of sailings, to be mutually agreed upon, provided, however, that he should enjoy a 25 per cent "differential."

Mr. HARDY. What do you mean by that?

Mr. MOONEY. Twenty-five per cent lower rates than any that we might name, sir.

I replied to Mr. Bull that I was very sorry he felt obliged to go into the business, but that he, or anyone else for that matter, had a perfect right to run a service to Porto Rico, and that we had no arrangements with anybody, nor would we make any.

I further told Mr. Bull that in my judgment his proposition was in violation of the Sherman antitrust act, as it was in restraint of trade. He said he didn't agree with me, as he had been advised by his counsel that this was not so. After a somewhat lengthy conversation he left the office, but returned in a few days and said he had obtained a copy of the Sherman Act, and that what I said was so, but that he could enter into a "gentleman's agreement."

At various times and places subsequently he talked to me and asked if we were ready to accept his offer, and I told him that we would enter into agreements with no one, but that if he had ships to charter we would gladly charter them at any time we needed them, giving him the current rates. He said he would not charter his ships to anyone; that he was determined to operate a line of his own.

We declined to enter into any arrangements with him, and he finally said that if we would not enter into an arrangement, then we must expect a fight, and that he would cut rates until we recognized him.

The CHAIRMAN. What lines run from New York to Porto Rico?

Mr. MOONEY. The Insular Line, the Red D Line, the Bull Line, the Benner Line of sailing vessels, and the New York & Porto Rico Steamship Co.

The CHAIRMAN. What lines run there regularly—make regular trips on schedules?

Mr. MOONEY. In addition to ours and the Insular Line there is the Red D Line, and the Bull Line sailing perhaps twice a month.

The CHAIRMAN. Tell us about this Insular Line. How is it owned and managed, and who are the officers?

Mr. MOONEY. I can not answer that question, Mr. Chairman. I know they are a line of which William E. Peck & Co. are general agents, and they operate, to the best of my knowledge, chartered ships.

The CHAIRMAN. They do not own any ships?

Mr. MOONEY. They do not, as I understand it, sir.

The CHAIRMAN. Is it an incorporated company?

Mr. MOONEY. I believe it is.

The CHAIRMAN. Mr. Peck is the president?

Mr. MOONEY. I do not even know who the officers are.

The CHAIRMAN. Do they operate ships regularly to Porto Rico?

Mr. MOONEY. They have been doing so for some considerable time.

The CHAIRMAN. In the passenger and freight business, or just freighters?

Mr. MOONEY. All their ships are operated as freight ships with the exception of one which they have under charter; I believe it is the *S. V. Luckenbach*, which has accommodations for perhaps 75 first-cabin passengers.

The CHAIRMAN. How many of these companies carry passengers?

Mr. MOONEY. In addition to our own, the Red D Line, and this one ship I have just mentioned.

The CHAIRMAN. What company operates the Red D Line?

Mr. MOONEY. Bliss, Walleit & Co. are the general agents.

The CHAIRMAN. Is it an incorporated company?

Mr. MOONEY. It is my understanding so; yes, sir.

The CHAIRMAN. What is the corporate name?

Mr. MOONEY. I do not know. I could not answer that.

The CHAIRMAN. State to the committee if your firm or line has at any time been a party to any agreement or agreements or any understanding or understandings with any of these lines mentioned, or any other lines, as regards either the freight or passenger traffic to and from the United States and Porto Rico; and, if so, state the nature of the agreement and the understandings.

Mr. MOONEY. We have no arrangement either as to freight or passengers with any line.

The CHAIRMAN. You understand my question—it is not whether you have such an agreement, but have you had in the past?

Mr. MOONEY. No, sir; we have not.

The CHAIRMAN. Have you any agreement with any other line with reference to the division of traffic?

Mr. MOONEY. We have not, sir.

The CHAIRMAN. How many ports are there in Porto Rico?

Mr. MOONEY. We run regularly to from three to seven, but there are many small ports which we occasionally stop at when sufficient cargo offers—perhaps 15 would cover the total.

The CHAIRMAN. Is there any agreement or has there been between your lines and any one of the other lines mentioned, with reference to the division of ports?

Mr. MOONEY. There is not, nor has there been, to my knowledge, sir.

The CHAIRMAN. Is there agreement between them regulating the time and number of sailings between any designated ports in Porto Rico?

Mr. MOONEY. There is none.

The CHAIRMAN. Have you any agreement or understanding, whether it is a written agreement, verbal agreement, or gentleman's understanding, expressed by letters, or in any other way, fixing freight rates or passenger fares, and the maintenance and change of the same?

Mr. MOONEY. No, sir; we have not.

The CHAIRMAN. Have you any such agreement or understanding, regarding deferred rebates, or other privileges and advantages?

Mr. MOONEY. We have none.

The CHAIRMAN. As between yourselves and shippers?

Mr. MOONEY. We have none with other lines nor with shippers. I might say, however, on that point, sir, we have special contracts with shippers, but no system of rebates.

The CHAIRMAN. Have you sample copies of those contracts showing the different forms?

Mr. MOONEY. I have, sir, here, and will be glad to furnish them.

The CHAIRMAN. You may furnish the committee a copy of each contract, showing the form of contract in existence between yourselves and the shippers. We do not want all the contracts, but we want every different form of contract between yourselves and the shippers.

Mr. MOONEY. I think, perhaps, a form for the outward and a form for the homeward would cover that, and I will leave them with the stenographer.

The CHAIRMAN. Let them be identified as exhibits.

The documents here submitted by the witness were marked by the stenographer "Exhibit No. 66," and are as follows:

EXHIBIT No. 66.

SWIFT & Co., "PONCE" REFRIGERATOR CONTRACT, FROM JUNE, 1912, TO MAY, 1913.

Memorandum of agreement made at New York this 23d day of May, 1912, between Swift & Co., hereinafter called the "Shippers," and the New York & Porto Rico Steamship Co., hereinafter called the "Steamship Company."

In consideration of the sum of \$1 paid by each to the other, receipt of which by each of the parties hereto is hereby acknowledged, and of the mutual covenants herein set forth, the parties hereto agree as follows:

I. The Steamship Company agrees that during the life of this contract and subject to the conditions specified below the Shippers are to have the exclusive use of both ice boxes or refrigerators at present installed on the steamship *Ponce*, for the transportation of fresh meats and other perishable products of the Shippers, at the rate of \$700 per trip, from New Orleans, La., to San Juan, P. R. (landed on dock at the latter port). The Shippers agree not to ship anything in the ice boxes which would be injurious to the boxes themselves, the refrigerating equipment, or the vessel. Also, the ice boxes are to be at the disposal of the Steamship Company on the return voyage from Porto Rico to New Orleans.

II. This contract is to start with the June, 1912, sailing of the *Ponce* from New Orleans and is to terminate upon delivery of the contents of the ice boxes at San Juan on the last sailing of the *Ponce* from New Orleans or New York in May, 1913.

III. The Steamship Company agrees to give the Shippers monthly sailings from New Orleans, but does not obligate itself to dispatch the *Ponce* for San Juan direct, but will have the vessel call at that port as soon after her arrival on the island as they can arrange. The Steamship Company further reserves the right to change its present schedule of sailings for the *Ponce*, should circumstances require it; but should it be arranged that the *Ponce* will sail from New Orleans more often than once a month, the Shippers are to have the use of the ice boxes the same as though she were dispatched monthly, the rate of freight to be adjusted on the basis of \$700 per trip.

The Steamship Company is to give the Shippers 10 days' written notice of each sailing of the *Ponce* from New Orleans or New York.

Furthermore, while it is the Steamship Company's intention to operate the *Ponce* regularly between New Orleans and Porto Rico, should circumstances necessitate her being ordered to New York for one trip, the Shippers are to have the option of using her ice boxes on the outward voyage from New York on the same terms and conditions as apply from New Orleans. Should the Shippers find themselves unable to use the ice boxes on said outward voyage, they may so notify the Steamship Company 15 days prior to the date of sailing, and no expense or penalty will attach to their failure to so ship, but in such an event the Steamship Company is to have the privilege of using said ice boxes on the aforesaid voyage.

If mishap to one of the steamship company's other passenger vessels, or some other happening of serious moment, now unforeseen, should necessitate the *Ponce* being diverted to the steamship company's New York service for more than one trip, the shippers are to have the option of continuing this agreement for the balance of the period it is to run on the same terms and conditions, except that the rate of freight is to be adjusted to the satisfaction of both parties. Should the shippers desire to cancel this agreement because of such diversion, they are at liberty to do so without expense or penalty.

IV. The steamship company further agrees to keep said boxes in good repair during the life of this contract, and also that said ice boxes shall be in proper condition to receive fresh meats, etc., when placed at the disposal of the shippers; the former is also to furnish the refrigeration and maintain whatever temperature is desired by the shippers. The shippers are to load the boxes at New Orleans under their own supervision and with their own employees, and the steamship company is to discharge same at San Juan at its expense.

V. The shippers shall pay freight on the ice boxes for each trip from New Orleans, whether employed or not, at the said rate of \$700 per trip. Freight under this agreement is to be paid at the New Orleans office of the steamship company within three days after steamer's sailing.

VI. The act of God, adverse winds, restraint of princes and rulers, the President's enemies, fire, pirates, accidents to machinery or boilers, and all other dangers and accidents of the seas, rivers, and navigation of whatever nature and kind soever during the said voyages always excepted.

And each shipment shall be deemed carried in respect of matters not herein provided for upon the terms of the steamship company's regular printed form of bill of lading, whether issued or not.

VII. If at any time during the life of this agreement the operations of either party should be interrupted by accidents, strikes, or causes beyond their control, they shall not be held to comply with the foregoing conditions as long as the said causes continue to exist; but on the resumption of operations this contract shall again be in force.

VIII. It is mutually agreed that the shippers are to have the privilege of forwarding via steamers of other lines than those of the New York & Porto Rico Steamship Co. 10 per cent of all their provision shipments between the United States and Porto; but in consideration of the rate named hereunder on the *Ponce's* refrigerators, it is understood that during the life of this agreement all their remaining provision cargo is to be shipped by the steamship company's vessels.

IX. It is further mutually agreed that if any general reduction is made by the steamship company in its present freight rates on commodities handled by the shippers, the latter are to have the proportionate benefit of such reduction

during the period for which it is in force, except that no reduction is to be made in the rates herein named on the *Ponce's* refrigerator space.

In witness whereof the said companies have executed this agreement in duplicate the day and year first above written.

SWIFT & Co.,
By A. R. FAY,
THE NEW YORK & PORTO RICO STEAMSHIP CO.,
By FRANKLIN D. MOONEY,
Vice President and General Manager.

Witnesses:
GEO. D. CHASE.
JNO. E. CRAIG.

DECEMBER 6, 1912

Messrs. SWIFT & Co., Chicago, Ill.

GENTLEMEN: We acknowledge receipt of yours of the 30th ultimo, file E-217, which agrees in essential with the writer's conversation with your Mr. Chase except that this agreement will not cancel contract now existing.

The understanding is that the Porto Rico Line will transport not less than 90 per cent of packing-house products shipped by Swift & Co. from New York at our present tariff rate less 25 per cent, and Swift & Co. reaffirms agreement to confine to our line not less than 90 per cent of the packing-house products moving to Porto Rico.

Yours, truly,

General Freight Agent.

PORTO RICAN CONTRACT.

CHICAGO, November 30, 1912.

Mr. V. K. HULL,
General Freight Agent, New York & Porto Rican Steamship Co.,
11 Broadway, New York, N. Y.

DEAR SIR: This will confirm our telegram, 29th instant, advising we would accept the proposition you made our Mr. Chase, in New York on Monday, that on all Porto Rican provisions we may ship via your steamers from New York from date to end of December, 1913, we are to pay you your present tariff rates less than 25 per cent, and it is further understood that we are to ship via your steamers 90 per cent of our Porto Rican business. This new arrangement to cancel any previous agreements we may have had with you.

That there may be no misunderstanding, won't you kindly acknowledge receipt of this letter?

Yours, respectfully,

SWIFT & Co.,
Per A. R. FAY.

Mr. MOONEY. Many of the outward forms, Mr. Chairman, are in letter form, but they simply differ as to rates.

The CHAIRMAN. Without referring to them in detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than any other shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, without referring to any detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than another shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. What are they?

Mr. MOONEY. For example, we have contracts for the carrying of sugar. We have one contract that covers a period of three years or more, which averages 70,000 tons of sugar—from 50,000 to 70,000

tons of sugar—originating at one plantation at which there is no ports and no other shipper from that particular place in the island. Southbound—meaning from the States to Porto Rico—we have made various contracts with shippers on a basis of regular sailings, covering a period of perhaps six months or a year.

The CHAIRMAN. Now, at a given time does a large shipper get a more favorable rate than a smaller shipper?

Mr. MOONEY. Yes, sir; all shippers get a more favorable rate possibly at certain times.

The CHAIRMAN. Well, take a particular sailing, cargoes going in the same vessel to the same port, of the same commodity. Does one shipper get a more favorable rate than another and, if so, under what conditions?

Mr. MOONEY. Yes, sir; he may in a case of that kind. As I say, there are times when our rates, because of competition which we meet, are, perhaps, lower than the tariff, possibly 50 to 70 per cent. The shipper, who is shipping on that particular steamer, may get 50 to 70 per cent. We have other contracts with shippers for a period of a year, who are willing to make it, perhaps, 25 per cent from our regular tariff on which we guarantee regular sailings, so that he is not interested in an extra discount. He wants us to make a contract with him to provide regular and frequent sailings.

The CHAIRMAN. But those differences in rates only apply to cases where you have a contract with a shipper covering a definite period, say six months or more, and providing for regular sailings?

Mr. MOONEY. Unless the shipper is willing, for any reason, to pay us even more than the best rate we can get at the time the ship is sailing.

The CHAIRMAN. A shipper would not be inclined to do that, would he, unless there was some special inducement?

Mr. MOONEY. He would, sir.

The CHAIRMAN. How is that?

Mr. MOONEY. For instance, there are times when there is a commodity that must move—machinery, perhaps, for sugar mills, that is urgently needed. Our space may be very limited. It may be a peculiar shipment of heavy machinery—boilers, engines, pieces weighing anywhere from 2 to 20 tons—and we may be allowing a discount on that particular steamer, but would not name on that particular shipment the lowest discount.

The CHAIRMAN. Of course, under those circumstances, he would rather pay the higher rate than to wait for another steamer?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Have you a copy of your tariffs between New York and Porto Rico?

Mr. HARDY. It seems to me you have not quite answered the question of the chairman as to whether or not, the conditions being precisely the same, you ever give preference to one shipper over another?

Mr. MOONEY. No, sir; we do not if conditions are identically the same.

Mr. HARDY. In other words, here is a man with 20,000 tons wanting to ship, and another man with only a thousand tons and there is nothing to cause a distinction except the amount—

Mr. MOONEY. Unless it be, sir, the conditions that surround the loading of it in the West Indies. In Porto Rico, for example, there are many places where we load sugar where the absence of a harbor would prevent our loading more than 2,000 bags a day, while there are other places where we might load eight or ten thousand bags.

Mr. HARDY. But suppose you are in the same harbor. I have freight there and another man has freight there; one is a big man and the other is a little man. Do you ever make any distinction between the two men on account of the quantity of the shipment?

Mr. MOONEY. Yes, sir; we do.

Mr. HARDY. Take the case I put of 20,000 tons and 1,000 tons; that is the only difference there is between them. What amount of difference do you make in that case?

Mr. MOONEY. In the case of the 20,000 tons perhaps we would name a rate, and in the case of the 1,000 tons we try to get perhaps a little more for it.

Mr. HARDY. In other words, you do make a reduction for large quantities?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, give us the names of the shippers that get these lower rates.

Mr. MOONEY. We have no regular tariff; we have a basic tariff, we make our rates according to conditions and they naturally vary. We have arrangements with a great many shippers. I can give you a list, however, of those with whom we have special contracts, perhaps 9 or 10.

The CHAIRMAN. They will be identified for insertion in the record.

The list referred to was marked by the stenographer "Exhibit No. 67," and is as follows:

EXHIBIT, No. 67.

American Tobacco Co.
Daussa, P., & Co.
Gonzalez Padin Co.
Import Packing Co.
National Packing Co.
Ponce Pier Contract.
Swift & Co.—Ice box via New Orleans, packing-house products.
Texas Co.
Norton & Son—Gunnies.

The CHAIRMAN. Have you given us samples of the contracts with these shippers you name?

Mr. MOONEY. I will, sir; in fact, they are attached to the other contract. May I ask you for that contract, Mr. Chairman? I am perfectly willing to leave the form of the contract, but I think it has the rates in it.

The CHAIRMAN. How is that?

Mr. MOONEY. I will give you a form of the contract. That one has our rates in it, and I should like to have it if I may. I would prefer not to disclose the rates.

Mr. BURLINGHAM. Except to the committee?

Mr. MOONEY. Exactly. I think it is in there, Mr. Chairman.

The CHAIRMAN. We are not putting it in the record.

Mr. MOONEY. All right, sir.

The CHAIRMAN. Have you given us all the contracts you have with shippers?

Mr. MOONEY. I think I have, sir. It is one general form; there may be some change in the rates. If I have not, I shall be very glad to do so.

The CHAIRMAN. These all relate to one firm, do they not?

Mr. MOONEY. Yes, sir; but the form of contract is the same with all others, except as to ports where conditions are different.

The CHAIRMAN. Different contracts may quote different rates?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Have you brought all the contracts and agreements and other documents called for in the subpoena?

Mr. MOONEY. I have, sir.

The CHAIRMAN. Have you them there?

Mr. MOONEY. I think this comprises all of them.

The CHAIRMAN. You mean that pile there?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Suppose you leave them with the committee, and we can look them over. We do not want to put them in the record, of course.

Mr. MOONEY. These are contracts. Is that my understanding of what you wish?

The CHAIRMAN. Yes; all those exhibits. We do not want them for the record.

Mr. MOONEY. Most of these are copies. I should like very much to have them back if I may, but should be glad to leave them here for such time as you wish them.

The CHAIRMAN. If there are any rates there, please leave copies.

Mr. MOONEY. I think there are one or two contracts that I did not have time to have copies made of.

Mr. HARDY. The only objection you have to leaving them is in leaving those with the rates in?

Mr. MOONEY. Yes, sir.

Mr. HARDY. You might leave copies with the rates left out.

Mr. MOONEY. I shall be very glad to leave this whole file.

The papers referred to were turned over to the committee.

The CHAIRMAN. Now, from the reports sent us by the Insular Line and the Porto Rico Steamship Co. we find that the rates are the same by both lines from New York to Porto Rico. I understood you to say, however, that there is no agreement or understanding between your line and that line with reference to rates?

Mr. MOONEY. That is correct, sir.

The CHAIRMAN. Explain that coincidence if you can—why the rates are the same.

Mr. MOONEY. I do not understand that the rates are the same. We have had very keen competition. Our general freight agent tells me almost daily of the rates made by others which we are obliged to meet.

The CHAIRMAN. That is true since Mr. Bull went in there, but prior to that time didn't you and the Insular Line have the same tariffs? Didn't you maintain them from New York to Porto Rico unless they were changed by consent?

Mr. MOONEY. No, sir; since the inception of the Insular Line, so far as I know, our rates have not been the same.

The CHAIRMAN. Then, if the rates are the same from New York to Porto Rico on like commodities, that is a mere coincidence. You have copies of their tariffs, have you not?

Mr. MOONEY. Of their tariffs?

The CHAIRMAN. Yes.

Mr. MOONEY. No, sir; I have not.

The CHAIRMAN. Do you know if they have copies of yours?

Mr. MOONEY. I presume they have.

The CHAIRMAN. How do they get possession of yours and you not get possession of theirs?

Mr. MOONEY. I have no doubt that they obtain them from shippers and then quote a slightly less rate than our tariffs in many instances. Perhaps in some they quote the same.

The CHAIRMAN. Yours is the stronger company, is it not?

Mr. MOONEY. Well, we are the older company and we have more ships.

Mr. HARDY. How is it that if you and they have no agreement, and you and the Bull Co. have no agreement, that there seems to be so much more of a state of warfare between you and the Bull Co. than between you and the Insular Line?

Mr. MOONEY. Well, sir, when the Bull Line entered the field they made the public announcement that they would cut our rates, as per circular which I will give to the stenographer—"a discount from our present tariff rates, and if the volume of business given us continues to improve further reductions may be expected."

The paper so produced by the witness was marked "Exhibit No. 68," and is as follows:

EXHIBIT No. 68.

NEW YORK, June 6, 1911.

DEAR SIRS: Our next sailing will be the steamship *Carolyn*, on Saturday, June 17, 1911, for San Juan, Arecibo, Mayaguez, Ponce, Arroyo, Fajardo, and any other port where sufficient cargo offers.

We wish to thank the shippers to Porto Rico for their liberal patronage and to give notice that commencing with the steamship *Carolyn* we will make a discount from our present tariff rates, and if the volume of business given us continues to improve further reductions may be expected with more frequent sailings.

Our reentry in the Porto Rican transportation trade has secured the shippers lower freight rates and more considerate treatment from all lines. Therefore simple justice entitles us to a fair part of the carrying trade between New York and Porto Rico.

Were we to withdraw the former high rates and conditions would immediately prevail; thus it is to the interests of Porto Rican shippers to keep the Bull Line going by continued patronage.

The economical management of our business and the control of our own steamers enables us to carry freight between the United States and Porto Rico as cheap, if not cheaper, than others, and it is our intention of so doing and to meet all competition. Therefore our mutual interests require you to see us before making your freight engagements.

For shipping permits and full information as to freight rates, etc., apply to

A. H. BULL & Co.,
General Agents.

Mr. HARDY. They issued a circular in which they proposed to give a discount from the present tariff rates. Do they say your tariff rates, or the Insular Line's tariff rates?

Mr. MOONEY. They do not say in this circular, but it was based on our tariff rates, I believe.

Mr. HARDY. To an outsider it would present the appearance that the Insular Co. and your company had the same rates.

Mr. MOONEY. They would expect the shippers to know the rates were not the same.

Mr. HARDY. But, so far as the circular is concerned, your line's, the Insular Line's, and all the other other lines' rates would appear to be the same.

Mr. MOONEY. Yes; I should think so.

Mr. HARDY. The circular speaks of it as "present tariff rates." Taking that phrase in connection with that circular, if your rates and the Insular Line rates were the same, would not an outsider have reason to think there was some arrangement?

Mr. MOONEY. I would think he would have good reason to think so, if that was the case.

The CHAIRMAN. At this point: I have before me both the rates which were furnished by the New York & Porto Rico Steamship Co., 11 Broadway, New York City, and also the rates of the Insular Line, No. 16 Broad Street, New York, sent in reply to a letter asking for the current rates. The New York & Porto Rico Co.'s rates were furnished on August 29 and the Insular Line's rates on August 24.

Mr. MOONEY. Of this year, sir?

The CHAIRMAN. 1912. Referring to the New York & Porto Rico Steamship Co.'s tariff, the heading is precisely the same. Then, under the head of "goods, how charged," the New York & Porto Rico Steamship Co. quotes rates on annatto, per 100 pounds, 25 cents; the Insular Line, annatto, per 100 pounds, 25 cents.

On the next item the New York & Porto Rico Steamship Co. quotes the rate on bay rum in hogsheads, per 100 gallons ggc., \$2.50.

The New York & Porto Rico Steamship Co. quotes a rate on "coffee in bags, per 100 pounds, 25 cents." The Insular Line, "coffee in bags, per 100 pounds, 25 cents."

These are rates from Porto Rico to New York and, by comparison, item after item is identical in both tariffs. One would seem to be a copy of the other. By examination, we find the same thing true in the rates from New York to Porto Rico. Do you think the committee would be warranted in the conclusion that both companies were maintaining the same rates by agreement?

Mr. MOONEY. Mr. Chairman, those rates are the basic rates.

The CHAIRMAN. Well, do you agree on basic rates or any other rates?

Mr. MOONEY. We agree on nothing, sir; absolutely.

The CHAIRMAN. It is just as hard to solve it, whether they are the basic rates or the actual rates.

Mr. WILSON. How are the basic rates arrived at?

Mr. MOONEY. The rates were made by our company; but when competitors come into the field, as in the case of the Insular and Bull Lines, they have taken our tariffs and simply reprinted or used them as the basic rates, and then name to the shipper a slight or, as the case may be, greater discount. But those rates, while they are the tariff rates, are not in effect in a great many instances.

Mr. HARDY. If you found the Insular Line naming rates cutting under your rates, would you take the same attitude toward them as

you have in reference to the Bull Co. and proclaim a war? Whether they did it by a published circular or by a private cutting under you, you would soon find it out, would you not?

Mr. MOONEY. Yes, sir.

Mr. HARDY. Then there would be a war?

Mr. MOONEY. We would have to meet the rates named or lose the business.

Mr. HARDY. Then, if you had declined to have any agreement with Mr. Bull, it would have been all right if he had simply gone on and regarded your arrangement of rates?

Mr. MOONEY. I do not see how we could help his naming, or anyone else naming, the same rates we had.

Mr. HARDY. Then there would have been no war?

Mr. MOONEY. We would have tried to get all the business we could, based on a superior service.

Mr. HARDY. As I understand your position, you assume the attitude that you fix the rates, and if anybody cuts under you, there is a war?

Mr. MOONEY. We name the rates originally, and if they do not produce the business we have to shrink the rates.

Mr. HARDY. And if you should see any difference between your arrangement, as you state, and the Bull and Insular Lines' tariffs—

Mr. MOONEY. We would meet it, sir.

Mr. HARDY. You would meet it?

Mr. MOONEY. Yes, sir.

Mr. HARDY. But still, somehow or other, there is a course of conduct between you and the other lines and not between you and the Bull Line?

Mr. MOONEY. There is none between the other lines.

Mr. HARDY. Well, you manage to meet their rates.

Mr. MOONEY. We meet their rates and we would meet anybody else's rates. We meet the Bull Line's rates, and we have to do so to get the business.

The CHAIRMAN. Have you ever had any friction with the Insular Line in the cutting of the rates?

Mr. MOONEY. Yes, sir; we have.

The CHAIRMAN. How often and how recently?

Mr. MOONEY. We have cut the rates continually, and they meet us right along. We are at the present time receiving letters from the shippers and others that they are naming lower rates, and we must either meet them or lose the business. I have several letters here, if I may read one or two.

The CHAIRMAN. Yes; read one or two into the record.

Mr. MOONEY. Under date of April 28, 1911, the following letter was addressed to V. K. Hull, general freight agent, New York & Porto Rico Steamship Co., by Wilson Bros., Brooklyn, N. Y.:

Upon receiving our Bs/L this week we note that you have charged the same rate as heretofore. We have continued giving your line this business, but it would seem when we can make shipments via other lines at a less rate that your company should give us as equally a low one.

Will you kindly advise in reference to this?

Yours, very truly,

WILSON BROS.

The letter above read was marked "Exhibit No. 69," and filed with the committee.

Mr. BURLINGHAM. Was the Bull Line in operation then?

Mr. MOONEY. I believe it was, sir. In fact, I am sure it was.

Here is another letter, addressed to the New York & Porto Rico Steamship Co. from Mr. W. N. Martin, of San Juan, P. R.:

AUGUST 4, 1911.

NEW YORK & PORTO RICO STEAMSHIP CO.,

12 Broadway, New York.

DEAR SIRS: I am shipping with you weekly. I am paying you more freight than anyone in my line of goods—produce. My competitors are shipping by the Bull and Insular Lines and getting 60 per cent cut in freight rates. Now, do you think I can stand that very long? It looks to me that if I want to continue in business and to so continue I must meet competition, and the only way to meet it is to ship by the other lines. This means that a sack of potatoes by your line is 50 cents and on other lines is 20 cents. I don't want to go to the other lines, but the price is driving me there. Let me hear from you.

The letter above read was marked "Exhibit No. 70," and filed with the committee.

The CHAIRMAN. Have you any letter complaining of the Insular Line rates before the Bull Co. entered the business?

Mr. MOONEY. I do not know that I have with me, but we can easily produce the statements of many shippers prior to that time. I just gathered up two or three of these.

Mr. WILSON. With reference to this last letter, the correspondent mentions that his competitors are getting their goods carried at 60 per cent less than your rates.

Mr. MOONEY. Yes, sir.

Mr. WILSON. Could your competitor carry those articles at 60 per cent less without carrying them at a loss?

Mr. MOONEY. I do not think so, sir.

Mr. WILSON. If he continued to carry them at 60 per cent less, it would eventually use up his capital?

Mr. MOONEY. I think it would if all of his business was on that basis.

Mr. WILSON. If it were true, then, you have no particular fear of competition from him ultimately?

Mr. MOONEY. If he chose to make the rate so unremunerative as not to be able to continue, he naturally must cease.

Thereupon, at 11.28 o'clock a. m., the committee took a recess until 1.30 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the committee assembled.

The CHAIRMAN. Mr. Mooney, you may proceed.

Mr. MOONEY. Mr. Chairman, so that I can make as clear as I possibly can the question of tariffs and rates, which I think was under discussion when we discontinued this noon, I would like to say that the New York & Porto Rico Steamship Co. was the original line to Porto Rico, we having operated there for perhaps a little over 20 years; the Insular Line and the Bull Line having come in, the former about five years ago, and the latter two years ago, and simply adopted our freight tariffs, which they distributed, having obtained copies from shippers or elsewhere, as a matter of convenience, and it has

not the slightest significance; in other words, we never had, nor do we now have any arrangements or agreements either directly or indirectly with either of the other lines. I was afraid perhaps I had not made that clear this morning, and I would like to emphasize it just as much as I can.

The CHAIRMAN. Not even a "gentleman's agreement"?

Mr. MOONEY. Not even a "gentleman's agreement," sir.

The CHAIRMAN. Is there anything in common in the personnel of the different lines; for instance, between the Insular Line or your line, in ownership or control?

Mr. MOONEY. No, sir; there is not the slightest.

The CHAIRMAN. Is there any common ownership as between your line and the other lines—the Red D, for instance?

Mr. MOONEY. There is not. We have no interest, either directly or indirectly, in any other line that operates to and from Porto Rico.

Mr. HARDY. Have you not directors in common?

Mr. MOONEY. We have no interlocking directorates, if I may use that word.

Mr. HARDY. You mean that the men who own the New York & Porto Rico Co. do not own any interest in any of these other companies?

Mr. MOONEY. Yes, sir; I mean that exactly.

Mr. HARDY. They are simply confined to that one company?

Mr. MOONEY. To the New York & Porto Rico Steamship Co. only.

The CHAIRMAN. Who is the president of your company?

Mr. MOONEY. Henry R. Mallory.

The CHAIRMAN. Is it an American corporation?

Mr. MOONEY. Yes, sir; it is.

The CHAIRMAN. Organized under the laws of what State?

Mr. MOONEY. New York.

The CHAIRMAN. And with what capital?

Mr. MOONEY. \$50,000.

The CHAIRMAN. How many ships does the company own and operate?

The CHAIRMAN. We own to-day 14, and during the busy season operate anywhere from 14 to 20.

The CHAIRMAN. You own 14 and operate them?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. And then when the increase comes you operate chartered vessels?

Mr. MOONEY. During the sugar season, when the crops are moving, we charter other vessels.

Mr. HARDY. Did you say \$50,000 capital?

Mr. MOONEY. Yes, sir.

Mr. HARDY. That is undercapitalized, then?

Mr. MOONEY. Well, that is the operating company.

Mr. HARDY. Who is it that owns these ships?

Mr. MOONEY. The parent company is the New York & Porto Rico Steamship Co. of Maine, and we charter our ships from the parent company, they being merely a financial company.

Mr. Post. What is the tonnage of the 14 vessels owned by the parent company?

Mr. MOONEY. Offhand, I should say about a little over 50,000 tons.

Mr. Post. What does your going freight consist of?

Mr. MOONEY. Consists of machinery, packing-house products, dry goods, rice, flour, furniture, and general cargo of every description.

Mr. HARDY. What is this parent company, of Maine? What is its business?

Mr. MOONEY. Merely a financial company owning the ships.

Mr. HARDY. What is the purpose of having one company to own the ships and another to run them?

Mr. MOONEY. The only answer that I can give to that, sir, is that it is merely for a financial company, owning the ships, and an operating company—the New York company—so that I have nothing to do with the financial end of it.

Mr. HARDY. What is the capital of this parent company?

Mr. MOONEY. \$8,000,000.

Mr. HARDY. Does it own any other vessels except those that you charter?

Mr. MOONEY. No, sir; it does not.

Mr. HARDY. Eight millions of capital for these 14 vessels and their properties?

Mr. MOONEY. Yes, sir.

Mr. HARDY. What other properties have they?

Mr. MOONEY. I will correct that statement. The New York company owns a pier in Porto Rico, but the parent company owns nothing but the ships and good will and fixtures, etc.

The CHAIRMAN. What do you call the parent company?

Mr. MOONEY. The New York & Porto Rico Steamship Co. of Maine.

Mr. THAYER. Do they have the same directors?

Mr. MOONEY. No, sir; they have not. They have the same directors, but not so many in the operating company. There are but four in the operating company, and, I think, seven in the holding or parent company.

Mr. THAYER. The four directors in the operating company are in the parent company?

Mr. MOONEY. In the parent company; yes, sir.

Mr. HARDY. A kind of an organization within an organization?

Mr. MOONEY. Yes, sir; exactly. The four directors of the operating company are four directors in the parent company.

Mr. HARDY. You can give us no reason for that dual organization?

Mr. MOONEY. Except that originally, I suppose it was for the purpose of financing the ships.

The CHAIRMAN. And is there any relation between either one of those companies and the Atlantic, Gulf & West Indies Steamship Co.?

Mr. MOONEY. Yes, sir; the New York & Porto Rico Steamship Co., of Maine, is owned by the Atlantic, Gulf & West Indies Steamship Co.

The CHAIRMAN. That is the parent company?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. The Atlantic, Gulf & West Indies Steamship Co.

Mr. HARDY. Now, does anybody own the Atlantic, Gulf & West Indies Co.? [Laughter.] We want to get the end of it. Who owns that?

Mr. MOONEY. The Atlantic, Gulf & West Indies Steamship Co. owns the entire stock of the New York & Porto Rico Steamship Co., of Maine.

Mr. HARDY. And what other companies do they own?

Mr. MOONEY. The Atlantic, Gulf & West Indies Co.?

Mr. HARDY. Yes.

Mr. MOONEY. Well, they own the Mallory Line, the Clyde Line, and the New York & Cuba Mail, and that is as far as I know. I am not a director in that.

Dr. HUEBNER. The Texas City Line?

Mr. MOONEY. Yes.

Mr. HARDY. Then, who owns the Atlantic, Gulf & West Indies Co.? You have reached the men higher up when you get to them?

Mr. MOONEY. I think so; yes, sir.

Mr. HARDY. What is the capital of that Atlantic, Gulf & West Indies Steamship Co.?

Mr. MOONEY. Well, I can not say, exactly. My recollection is that it is \$30,000,000, but I can not answer for the Atlantic, Gulf & West Indies Steamship Co. I am not an officer of that, sir.

The CHAIRMAN. We have reached to the parent of all, and what relations, if any, are there between the Atlantic, Gulf & West Indies Steamship Co. and the Insular Line?

Mr. MOONEY. None whatsoever, sir.

The CHAIRMAN. Is there any relation between any of the subsidiary lines of the Atlantic, Gulf & West Indies Steamship Co. and the Insular Line?

Mr. MOONEY. None whatever.

The CHAIRMAN. Has Mr. Hugh H. Harrison any connection in any way with the Atlantic, Gulf & West Indies Steamship Co. or the New York & Porto Rico Steamship Co., of New York or Maine?

Mr. MOONEY. He is not connected, either directly or indirectly, in any way with any of the companies that you mentioned.

The CHAIRMAN. Is that true of Mr. Joseph D. Phillips?

Mr. MOONEY. Yes, sir; that is equally true of him, also.

The CHAIRMAN. Robert W. McNeal?

Mr. MOONEY. Likewise. I have never heard the gentleman's name before, but I know he has no interest with us or we with him in any way.

The CHAIRMAN. Do you know anything about this concern or corporation—the Corporate Organization & Audit Co.?

Mr. MOONEY. I know there is such a concern, but I know nothing about it, sir.

The CHAIRMAN. And the name you would not associate with the steamship business, would you?

Mr. MOONEY. Naturally not.

The CHAIRMAN. Are there any other questions with reference to Porto Rico matters, gentlemen?

Mr. HARDY. I have none.

The CHAIRMAN. The charge has been made here that the ships of the Insular Line were used by the Porto Rico Steamship Co. in the trade between New York and Porto Rico as fighting ships. What do you know of that, if anything?

Mr. MOONEY. That is absolutely untrue, sir.

The CHAIRMAN. That is, as far as your company is concerned?

Mr. MOONEY. I mean as far as we are concerned. I can answer only for ourselves.

The CHAIRMAN. What other trades are you engaged in?

Mr. MOONEY. As an officer of an operating company?

The CHAIRMAN. As a company; that is, the Porto Rico Steamship Co.

Mr. MOONEY. We are engaged in no trade except the Porto Rico trade, but we use our ships along the coast in the dull season, or anywhere else, for that matter. We recently have sent one abroad.

The CHAIRMAN. What other companies are you an officer or director in?

Mr. MOONEY. I think I said this morning, but I will be glad to say now: The New York & Cuba Mail, the Mallory Steamship Co., the Clyde Steamship Co., both New York and Porto Rico steamship companies, and I am general manager of the Clyde Santo Domingo Line.

The CHAIRMAN. Is that the only line operating to Santo Domingo?

Mr. MOONEY. Yes; it is; from New York.

The CHAIRMAN. Is there any agreement between your company and those operating to Haiti, whether in writing or otherwise, as regards either freight or passenger traffic to or from the United States and Santo Domingo?

Mr. MOONEY. I can answer that as I did the other: We have no arrangements, directly or indirectly, written, oral, or otherwise, with any other line or lines operating to Santo Domingo.

The CHAIRMAN. How long have you been operating ships there? That is the only line that is operating ships to Santo Domingo from New York?

Mr. MOONEY. Well, the Clyde Steamship Co. has been operating there for over 30 years. I have been in charge of it for the last five years. During the period of 30 years and more there has been competition at various times, other lines operating for a short time; and we have direct competition, of course, with European ports.

The CHAIRMAN. There has been no other line operating to Santo Domingo since you have had charge of the line?

Mr. MOONEY. Yes, sir. There was one line called the Dominican Line, I believe, which chartered one ship and ran there for a short time, operated by two or three merchants in New York.

The CHAIRMAN. Is there an understanding between your company and any other company that you shall have that trade exclusively?

Mr. MOONEY. No, sir; there is not.

The CHAIRMAN. But your right to that territory is not challenged by anyone else and has not been since you have been connected with the company?

Mr. MOONEY. Except in the instances that I have mentioned.

The CHAIRMAN. Do you know whether there has been any arrangement in the past by which you were to have the exclusive entry to Dominican ports?

Mr. MOONEY. Not within my time; and, so far as I know, not within the time of the company.

The CHAIRMAN. How many ships do you operate to Santo Domingo?

Mr. MOONEY. Just now, three American ships. We own and operate 10 ships during the winter season.

The CHAIRMAN. Do you give a regular service?

Mr. MOONEY. Yes, sir; we give a regular service—freight service—and additional freight ships to meet the situation, both north and south.

The CHAIRMAN. Do you carry mail also?

Mr. MOONEY. Yes, sir; we do carry mail under the usual ocean postage arrangement, but without any contract with the company.

The CHAIRMAN. That is the international agreement?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. All of your ships are under a foreign flag?

Mr. MOONEY. Three are under the American flag.

The CHAIRMAN. What three are they?

Mr. MOONEY. The three we operate are the *Seminole*, the *Algonquin*, and the *Cherokee*. During the winter season sometimes the *Cherokee* is temporarily withdrawn to make some repairs.

The CHAIRMAN. Are those excursions vessels you mention?

Mr. MOONEY. They are regular liners engaged in the freight and passenger trade. We have a regular schedule leaving here twice a month—generally every 10 days. We visit all the ports of Santo Domingo, stopping at Turks Island on the way south.

The CHAIRMAN. Do you operate a service from New Orleans to Porto Rico?

Mr. MOONEY. The Porto Rico steamship lines run from Galveston, New Orleans, and Port Arthur to Porto Rico.

The CHAIRMAN. You have a regular service from New Orleans.

Mr. MOONEY. We have a regular service from New Orleans.

The CHAIRMAN. How often a month are your sailings?

Mr. MOONEY. About from two to five. Just now we operate four ships a month out of New Orleans to Porto Rico; and one or two ships a month out of Galveston to Porto Rico.

The CHAIRMAN. What other lines operate out of New Orleans to Porto Rico?

Mr. MOONEY. None that I know of.

The CHAIRMAN. And out of Galveston?

Mr. MOONEY. None, just at present.

The CHAIRMAN. Has your company an agreement or understanding with any other company or companies with reference to that trade out of New Orleans to Porto Rico, or out of Galveston to Porto Rico, or out of Texas City?

Mr. MOONEY. We have no arrangements or agreements there or anywhere else, sir.

The CHAIRMAN. Is your company, or the Atlantic, Gulf & West India Steamship Co., or the parent company, or any of its subsidiaries, to your knowledge, a member of any conference?

Mr. MOONEY. We are members (the New York & Porto Rico Steamship Co.) of a conference or at least an association in New Orleans. I will have to look it up; I think it is in my report. It has nothing to do with distribution of territory or the fixing of rates, or anything of that nature; but deals with things in common, bills of lading, receipts, and so forth.

Dr. HUEBNER. The Gulf Freight Conference?

Mr. MOONEY. The Gulf Freight Conference. I think it is.

The CHAIRMAN. As this is the only line operating out of New Orleans and out of Galveston to Porto Rico, what occasion is there for you to be in any conference.

Mr. MOONEY. Merely for educational purposes or information. We have our agent there representing us. General subjects are taken

up—bills of lading, receipts, dock questions, and all that sort of thing. All steamship companies, or most all, I think, are members there at New Orleans.

The CHAIRMAN. You mean to say they want uniform bills of lading? That is, as far as the obligation on the part of the company and on the part of the shipper is concerned?

Mr. MOONEY. We all use the same bill of lading or receipts.

The CHAIRMAN. That relates to the liability of the company to the shipper and vice versa?

Mr. MOONEY. Exactly, sir.

The CHAIRMAN. Do they have uniform bills?

Mr. MOONEY. Just as far as possible, so that a shipper shipping with us knows he is getting exactly what he would with any other line, or the reverse.

The CHAIRMAN. Or in any other trade?

Mr. MOONEY. Or in any other trade; exactly, sir.

The CHAIRMAN. Did you take the initiative in making overtures to Bull & Co., with reference to the Porto Rican trade?

Mr. MOONEY. No, sir; we did not. I explained that in my statement this morning.

The CHAIRMAN. That is what I thought. I understood your statement to be to the effect that Bull came to you and made the overtures to you—

Mr. MOONEY. Voluntarily, sir.

The CHAIRMAN (continuing). That he was ready to come in if he could effect an amicable working agreement with you?

Mr. MOONEY. That is correct.

The CHAIRMAN. And you rejected all overtures, and the result is that the people of Porto Rico are getting the benefit?

Mr. MOONEY. That is it exactly, sir; the shippers are enjoying it.

The CHAIRMAN. We understood from the testimony of Mr. Bull that you threatened him that if he entered into the Porto Rican trade you would turn around and enter into competition with him in the coastwise trade; tell the committee whether any such threat as that was made by you.

Mr. MOONEY. We have been in the coastwise trade for a great many years, using our ships there when there is not any business offering in Porto Rico, practically during the off season, or when the sugar crop is at its minimum and is not moving north. We have to charter our ships in the coastwise business—bulk business principally—and the new ships, the four which we have built in the last two years, while they are built with the idea of using them practically in the Porto Rican trade, they are adapted to all bulk business. We have been in that trade for some time, and I told Mr. Bull at that time there was no reason in the world why we should not continue in that trade, and we were going to build ships to be in that trade.

The CHAIRMAN. There is some testimony also with reference to Mr. Luckenbach—I do not recall just when—but he was threatening to go into the Porto Rican trade, and that you effected an amicable arrangement with him by which you charter several of his ships—it is my recollection he said three, and I think the record shows that—at a very remunerative price in order to keep him out, and with the agreement that he would not come into that trade.

Mr. MOONEY. Is not that the testimony in connection with the Insular Line? We have never made any proposition with Mr. Luckenbach to use any of his ships.

The CHAIRMAN. It may be. As I remember, the testimony says that somebody chartered Luckenbach's ships in the Porto Rican trade. You say it is not your company?

Mr. MOONEY. No, sir; but I did say this morning that Luckenbach's ships were employed by the Insular Line. Under what arrangement, of course, I do not know.

The CHAIRMAN. What relations have you with any railroad or railroads—American railroads?

Mr. MOONEY. We have no relations of any kind with railroads as to freight or otherwise.

The CHAIRMAN. And no prorating privilege?

Mr. MOONEY. We do not prorate with anyone.

The CHAIRMAN. You just take the freight as it is tendered on the docks at New York and carry it to Porto Rico?

Mr. MOONEY. Port-to-port business exclusively.

The CHAIRMAN. Have you any arrangement with them by which you should have an exclusive dock privilege at any pier in New York, which excludes Mr. Bull or anyone who is engaged in the Porto Rican trade? Have the railroads given you any advantage over him in the matter of loading and unloading your ships?

Mr. MOONEY. We lease our piers, 35 and 34 Atlantic Basin, in Brooklyn, from the New York Dock Co. We have always docked our ships in Brooklyn at the piers of the New York Dock Co. We have no arrangement with the railroads or otherwise for the exclusive use of any piers. We lease those piers entirely, and anyone else can do the same.

The CHAIRMAN. Do they belong to the city, or is the New York Dock Co. a private corporation?

Mr. MOONEY. Yes; that is a private corporation, and they have piers to rent to-day.

The CHAIRMAN. So you have no advantage in that regard?

Mr. MOONEY. Not the slightest. We have always done business in Brooklyn. While we would like to do business on Manhattan Island, we do our business in Brooklyn at the present time.

Mr. THAYER. Do you give through bills of lading?

Mr. MOONEY. We do not, sir.

The CHAIRMAN. How do the rates from New Orleans, Galveston, and Port Arthur compare with the rates from New York to Porto Rico?

Mr. MOONEY. The rates from New Orleans to Porto Rico are probably about 15 per cent higher than the rates from New York to Porto Rico. The rates from Port Arthur and Galveston to Porto Rico average, perhaps, 20 per cent higher than the New York rates.

The CHAIRMAN. Why is that?

Mr. MOONEY. The distance is greater in both instances. The volume of business is less, and the cost of operation is increased in nearly every way. It costs us more for bunker coal and the dock facilities at Galveston cost us very much more. I think I can give you the mileage, roughly.

The CHAIRMAN. Yes.

Mr. MOONEY. One thousand three hundred and eighty from New York to San Juan, P. R., and about 1,500 from New Orleans to Porto Rico—San Juan; and about 1,800 from Galveston. That is as near as I can remember it.

The CHAIRMAN. One thousand four hundred and eighty-two, from—

Mr. MOONEY. From New Orleans to San Juan about 1,480 miles—nautical miles.

The CHAIRMAN. That difference in distance would be negligible if the other conditions were the same, would it not?

Mr. MOONEY. If there were a considerable volume, perhaps the rates would be more nearly on a par.

The CHAIRMAN. Now, what commodities are carried from New Orleans to Porto Rico?

Mr. MOONEY. Principally rice, flour, packing-house products, machinery, and general cargo; not quite as much, however, as moves from New York; also oil out of Port Arthur.

The CHAIRMAN. Take rice; what is the rate from New Orleans to Porto Rico?

Mr. MOONEY. Twenty cents a hundred pounds, I think; my tariff is there. I think I am right on that.

The CHAIRMAN. What is it out of New York?

Mr. MOONEY. I think it is at present 17 or 18 cents.

The CHAIRMAN. And out of Galveston?

Mr. MOONEY. Five cents higher, as I remember; 27 cents, I think, out of Galveston.

The CHAIRMAN. On your return cargo from Porto Rico what per cent of your cargo is contract cargo?

Mr. MOONEY. I should think easily 85 per cent.

The CHAIRMAN. Of what does that consist?

Mr. MOONEY. Principally sugar, sir. We carried last year 200,000 tons. Fruit and tobacco follow next in the line of quantity. The other commodities mentioned move only in very small parcels.

The CHAIRMAN. From New York to Porto Rico what per cent of the cargo is contract trade?

Mr. MOONEY. A very small proportion, indeed.

The CHAIRMAN. About what?

Mr. MOONEY. Oh, I should think 10 per cent would be pretty large.

The CHAIRMAN. Are the vessels full going from New York?

Mr. MOONEY. Just at this time of the year they are, but during other seasons we go out with a third or a half. In fact, our ship that sails to-morrow has perhaps less than a half cargo.

The CHAIRMAN. Referring to your contracts with shippers northward from Porto Rico, do they include a provision to the effect that the shipper must patronize your line exclusively?

Mr. MOONEY. When we make a contract, principally on sugar, if that is the only contract trade we have north, we contract for the output of an entire central or mill, as appears from the copies of the agreement I left with you this morning, there being no other shipper in many of those places, merely a plantation or mill.

The CHAIRMAN. You call at different points in Porto Rico where there are plantations for your freight?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. As I understand, at some points there are no shipping facilities—no facilities for loading the sugar. It costs very much more at some places to load sugar than at others, but you aim to go around and gather up the sugar from the different plantations where it is possible?

Mr. MOONEY. I would like to explain just a little on that point. There are but two ports at which there are piers in Porto Rico—San Juan, and a pier at the Guanica Central, at a port called Guanica on the south side. At all other ports the cargo is discharged into lighters, and many times we are unable to discharge because of the condition of the sea. At other ports we discharge in the open roadsteads where there is no harbor. In those ports we sometimes have to go back two or three times for the same cargo, being unable to land it because of weather and sea conditions. In only two ports can we discharge at docks, and that regulates the rate northbound and southbound in many instances, because the conditions are entirely unlike.

The CHAIRMAN. Do the Insular Line and the Porto Rico Steamship Co. carry the same general class of cargo?

Mr. MOONEY. Yes, sir; all the lines operating, with perhaps the exception of the Red D Line, who carry no sugar at all, carry pretty much the same class of cargo both north and south bound.

Mr. HARDY. Why does not the Red D carry sugar north?

Mr. MOONEY. Because their line is principally between New York and South America, Venezuela, and other ports, and they just stop in at a given port northbound and southbound in Porto Rico, and carry a very limited quantity of cargo, perhaps five or six hundred, or a thousand tons; and their principal cargo north is coffee, and it is undesirable to load raw sugar in the same compartment with coffee.

Mr. HARDY. They do not carry sugar because of its objectionableness—

Mr. MOONEY. To the other cargo; yes, sir. Mr. Chairman, if I have not made myself clear, or you need me at any time further, I shall be very glad to appear.

Mr. HARDY. You say you give no through bills of lading?

Mr. MOONEY. We do not, sir.

Mr. HARDY. By that, you mean you do not give bills of lading to any interior points?

Mr. MOONEY. We do not; that is correct.

Mr. HARDY. Have you no understanding at all by which you can prorate with one of the railroads?

Mr. MOONEY. We have no prorating; our business is strictly a port-to-port business.

Mr. HARDY. Your owners are the owners of the New York & Porto Rico Steamship Co. of Maine; are they railroad people as well as steamship people?

Mr. MOONEY. No, sir; merely a holding company; they do absolutely a steamship business; nothing else.

Mr. HARDY. That is, with reference to your company at New York?

Mr. MOONEY. And our company of Maine, also. They are merely a holding company for steamships, and have nothing to do with the operating of a steamship company.

Mr. HARDY. When you get into this higher-up concern—

Mr. MOONEY. It is only a steamship company, and has nothing to do with railroads.

Mr. HARDY. Your company, then, is strictly out on the ocean?

Mr. MOONEY. Absolutely, sir.

The CHAIRMAN. Is it a fact that the weeks that Mr. Bull has sailings to Porto Rico that you cut your rates?

Mr. MOONEY. We meet the rates every week or any time to get the cargo. It does not make any difference whether it is the Bull Line or the Insular Line, or anybody else, in order to get the cargo we meet the rates, if we think it is desirable to get the cargo, or else do not make the rate, and naturally do not get the cargo.

The CHAIRMAN. That is all.

Mr. MOONEY. Thank you.

TESTIMONY OF CHESTER B. KELLOGG, GENERAL FREIGHT AGENT MUNSON STEAMSHIP LINE, 82 BEAVER STREET, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your name, address, and your business relations with any steamship company or companies?

Mr. KELLOGG. Chester B. Kellogg, 82 Beaver Street, New York, general freight agent, in charge of all general cargo southbound on the Munson Line routes, and on lines for which we are agents.

The CHAIRMAN. What other lines are they?

Mr. KELLOGG. The Boston-Havana Steamship Line, and the Compania Maritima Cubana—the Steamship Company of Cuba.

The CHAIRMAN. What is the one you first named?

Mr. KELLOGG. The Munson Steamship Line. We operate a line from Mobile, Ala., to Uruguay and Argentina, and from Mobile, Ala., to Cuban ports.

The CHAIRMAN. Take that company up. The Munson Line is a corporation incorporated under the laws of what State?

Mr. KELLOGG. The State of New York.

The CHAIRMAN. What is the capital?

Mr. KELLOGG. I am not quite sure as to just what the capital is. I think it is about \$750,000.

The CHAIRMAN. How many ships are owned by the line?

Mr. KELLOGG. None directly by the line; we charter the ships.

The CHAIRMAN. From whom are they chartered?

Mr. KELLOGG. From foreign owners mostly—British, Norwegian, German, and in some cases we are able to charter American steamers lately because of the very high cost of tonnage the world over.

The CHAIRMAN. What companies principally do you charter from?

Mr. KELLOGG. We charter from New York brokers who represent numerous owners on the other side.

The CHAIRMAN. Their ships are all operated under the foreign flag?

Mr. KELLOGG. All under the foreign flag, except the few American steamers we may charter from time to time as the market will allow.

The CHAIRMAN. You have one line out of Mobile. What lines do you operate out of New York?

Mr. KELLOGG. We are agents out of New York for the Compania Maritima Cubana, and we operate tramp service from New York. We operate tramp steamers in and out of New York.

The CHAIRMAN. What points in Cuba do you operate your ships to?

Mr. KELLOGG. The New York service?

The CHAIRMAN. Yes.

Mr. KELLOGG. Matanzas, Cardenas, Sagua, Caibarien, Nuevitas, Chapara, Puerto Padre, Gibara, and Nipe Bay.

The CHAIRMAN. Are there any other lines between New York and those ports that you mentioned?

Mr. KELLOGG. The Royal Mail Steamship Co. stops at the West Indies at the port of Nipe Bay.

The CHAIRMAN. Is that the only one to that port?

Mr. KELLOGG. That is the only one to that port. There is another line, with irregular service, that touches almost any port they can get cargo for.

The CHAIRMAN. What commodities do you handle out of New York?

Mr. KELLOGG. Well, all kinds of commodities. A great many food supplies, like flour, packing-house products, grain, all kinds of hardware, iron, steel, machinery, and railroad material.

The CHAIRMAN. Is there any understanding or agreement, either in writing or otherwise, between your line and the Royal Mail Steam Packet Co., with reference to the port of Antilla?

Mr. KELLOGG. There is none; no, sir.

The CHAIRMAN. We ascertained on investigation that the rates of the two lines to this port are identical. Is this another case where the smaller line follows the rates of the larger?

Mr. KELLOGG. We have been operating into Nipe Bay ever since it became a port. The Royal Mail started in there possibly a couple years ago, in order to add a little freight to their West Indian service, and naturally they followed our rates. They go so far as to ask us whether our rates are being maintained in some cases where shippers have claimed that they have had lower rates.

The CHAIRMAN. There is no agreement between you to maintain those rates?

Mr. KELLOGG. No agreement whatever.

The CHAIRMAN. You have no understanding or gentleman's agreement?

Mr. KELLOGG. None, whatever.

The CHAIRMAN. To maintain rates or fix rates?

Mr. KELLOGG. None, whatever.

Mr. HARDY. When they ask you if your rates are being maintained, do you not understand that is an intimation that they want to know whether you are cutting their rates and expressing their purpose to stand by their rates?

Mr. KELLOGG. Naturally, the relations would be friendly.

Mr. HARDY. The implied understanding is that they are maintaining rates?

Mr. KELLOGG. We would naturally think that they were maintaining those rates.

Mr. HARDY. That is the way you understand it?

Mr. KELLOGG. We can not always find that they are; we sometimes believe they are not.

Mr. HARDY. At any rate they lead you to infer by these very questions that they are maintaining your rates?

Mr. KELLOGG. That is right; yes.

Mr. HARDY. And your reply lets them know whether you are standing straight or not?

Mr. KELLOGG. That is right; yes, sir.

Mr. POST. It really amounts to an agreement, does it not?

Mr. KELLOGG. There has no agreement ever been entered into.

Mr. POST. You mean a written agreement?

Mr. KELLOGG. No oral agreement has been entered into. It seems to me it is an evolution of the times, not only in the steamship business, but everywhere else.

The CHAIRMAN. The Munson Line sends the tariff from New York to Matanzas, Cardenas, Isabella, De Sagua, Caibairen, Nuevitas, and Gibara. Now, these ports, it seems, are not entered by or referred to in the tariff of any other line operating from New York to Cuba. At the same time, the Munson rates to these several ports seem to be the very highest as compared with the other tariffs furnished. You may tell the committee whether or not your company has an agreement or understanding of any other character, whether expressed or implied, in writing or not, with any of the other lines operating from New York to Cuba, as regards either the freight or passenger traffic to and from the United States and the ports I have mentioned.

Mr. KELLOGG. I can answer only as to the outbound freight.

The CHAIRMAN. What about the inbound freight?

Mr. KELLOGG. The inbound freight is handled, largely on a tramp basis, by another department.

The CHAIRMAN. And you can not say whether that is true or not?

Mr. KELLOGG. I can say from my general knowledge that it is not true.

The CHAIRMAN. But you do say, emphatically, that on the outgoing freight from New York to Cuba there is no such understanding or agreement?

Mr. KELLOGG. I do.

The CHAIRMAN. Neither as relates to the division of traffic territory or division of routes?

Mr. KELLOGG. There is no agreement; no.

The CHAIRMAN. Nor as to the discontinuance of service from New York to Porto Rico, the ports named in Cuba, by either your line or the other lines operating from New York to Cuba?

Mr. KELLOGG. No, sir; there is no agreement.

The CHAIRMAN. Nor as meeting the competition of other lines?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Nor stipulating the time and number of sailings between New York and Cuba?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Nor as to fixing the freight rates or passenger fares or the maintenance of tonnage of the freight?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Have you any contracts with shippers?

Mr. KELLOGG. We have. I have a couple of contracts here, which I will be glad to give to the committee. I would prefer that they would not go into the records, if it so pleased you.

The CHAIRMAN. Just let them be marked for identification as exhibits.

The CHAIRMAN. Local rates are added to the water rate, are they not?

Mr. KELLOGG. We are responsible for the delivery of cargo according to the custom of the port we enter, which includes the lighterage and other charges.

The CHAIRMAN. Have you any other line in that service? You have a Baltimore and Habana line, have you not?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Operated by what company?

Mr. KELLOGG. That is the Munson Steamship Line.

The CHAIRMAN. What other companies operate from Baltimore to Habana?

Mr. KELLOGG. None.

The CHAIRMAN. What do you carry South, general cargo?

Mr. KELLOGG. General cargo.

The CHAIRMAN. And what on the return voyage?

Mr. KELLOGG. The steamers go into the tramp trade northbound.

The CHAIRMAN. Are you in agreement with any other company, or have you any understanding with any other company or line as regards either the freight or the passenger traffic to or from Baltimore to Habana?

Mr. KELLOGG. Nothing; we give them any information they want about our rates.

The CHAIRMAN. Give who?

Mr. KELLOGG. The Ward Line; we would give the Ward Line any information they wanted about our rates.

The CHAIRMAN. Do they operate from Baltimore to Habana?

Mr. KELLOGG. They do not; they operate from New York.

The CHAIRMAN. Do you make the rate uniform from Baltimore and New York?

Mr. KELLOGG. We attempt to make New York rates from Baltimore.

The CHAIRMAN. In other words, the rate is the same from New York as it is from Baltimore on the same commodities, is it?

Mr. KELLOGG. Yes; but, generally speaking, the shipper at Baltimore has an advantage in the inland rate of about 3 cents a hundred pounds on manufactured articles and about 1½ cents on iron and steel.

The CHAIRMAN. On the rail rate?

Mr. KELLOGG. On the rail rate.

The CHAIRMAN. Does that differentiate in favor of Baltimore?

Mr. KELLOGG. Yes.

The CHAIRMAN. Yet the rate between the two cities is the same?

Mr. KELLOGG. Practically the same; yes, sir.

Mr. HARDY. You do not prorate with the railroad, do you?

Mr. KELLOGG. No; we do not; we can not under the interstate commerce act.

The CHAIRMAN. Is there any tacit understanding that the Baltimore service shall be handed over to the Mobile Line; that they shall have that service?

Mr. KELLOGG. The Muson Line owns both the Mobile Line and the Baltimore Line.

The CHAIRMAN. Is there any understanding between your line and the Ward Line?

Mr. KELLOGG. No, sir; no understanding.

The CHAIRMAN. With reference to either the rates out of New York, or the rates out of Baltimore to Cuba, or that your company will operate directly from New York; and the Ward Line shall not operate from Baltimore to Habana or other ports in Cuba?

Mr. KELLOGG. No such understanding. We would answer their questions about rates, and would expect them to answer ours.

The CHAIRMAN. But there is no understanding, direct or indirect, in reference to making the rates?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You are not acting in accord, are you?

Mr. KELLOGG. No, sir; we would reserve the right at any time to take any block of cargo we wanted at any rate we saw fit, even without notifying, if we thought the business warranted.

The CHAIRMAN. And there is no amicable arrangement between you that will avoid competition between the two lines, is there?

Mr. KELLOGG. Not of necessity; there is simply the arrangement as a matter of business policy of talking over with one another what the rates might be.

The CHAIRMAN. Well, you agree you will not fight, do you not?

Mr. KELLOGG. We do not even agree to that.

The CHAIRMAN. You say to each other "We will be good friends, and the only way to be good friends is for both to operate on the same basis." Is not that it?

Mr. KELLOGG. We have not tried out yet whether we can operate on the same basis with a semimonthly service—compared with their biweekly service.

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Mr. WILSON. Are any of the directors of the Munson Co. also directors of other steamship lines?

Mr. KELLOGG. They are not.

Mr. WILSON. Are any of the large stockholders of the Munson Co. large stockholders of any of the other steamship lines?

Mr. KELLOGG. No, sir.

Mr. HARDY. You said you employed tramp ships in and out of New York?

Mr. KELLOGG. Yes.

Mr. HARDY. There are quite a good many of them, are there not?

Mr. KELLOGG. We are operating to-day somewhere about 100 steamers.

Mr. HARDY. Of tramp character?

Mr. KELLOGG. Of tramp character, excepting those of which we are agents.

Mr. HARDY. These tramp ships are mighty good fighting instruments, are they not?

Mr. KELLOGG. Yes; they are pretty good on some occasions.

Mr. HARDY. If you have a sort of troublesome neighbor a tramp ship can go in without regard to your scheduled rates?

Mr. KELLOGG. They can in some trades; yes.

Mr. HARDY. These tramp ships, as I understand it—and I think I nearly understand it—simply mean a ship that goes anywhere it pleases, has no regular line?

Mr. KELLOGG. That is right; anywhere the contract calls for.

Mr. HARDY. You send it to South America to-day or to Liverpool to-morrow, wherever you get a cargo you want to provide for you will send that ship there?

Mr. KELLOGG. That is correct.

Mr. HARDY. These tramp ships, whenever you find somebody that is breaking into a custom, not walking pleasantly together, can be used without much regard to your schedule rates, can they not?

Mr. KELLOGG. No; they can not.

Mr. HARDY. In order to take a cargo away from the fellow that is dipping in, is not the tramp ship the instrument you use?

Mr. KELLOGG. We could not do that, because we would be competing with ourselves.

Mr. HARDY. I know, but a little competition with yourself does not hurt much, it only takes out of one pocket and puts it into the other, does it not?

Mr. KELLOGG. The situation when we have to compete with a steamer we already have on——

Mr. HARDY (interposing). As a matter of fact, do you not use these tramp ships for competing purposes, largely?

Mr. KELLOGG. We do not. The tramp ships are used entirely in full cargo business.

Mr. HARDY. Do you mean for bulk cargo?

Mr. KELLOGG. Bulk cargoes; full cargoes of coal, rails, or cars, anything of that sort.

Mr. HARDY. Simply as a matter of information, I understand your southbound ships frequently have no cargo northbound, and you make tramps of them for the time being?

Mr. KELLOGG. We make tramps of them not because we do not have a cargo northbound, but because the cargo northbound is practically a one-commodity proposition, and they will turn into the trade to contract for a full cargo of sugar, at whatever rates may be in effect at the time, according to market conditions.

Mr. HARDY. The ship that is on a regular line and is not a tramp ship going out becomes a tramp ship coming back?

Mr. KELLOGG. Yes; in other words, our Baltimore ship going to Habana might load one time at Habana sugar for New York and another time sugar for Boston and another time sugar for Philadelphia, and might go even to the north side of Cuba and load a cargo for any of the ports mentioned.

Mr. HARDY. The idea I used to have of a tramp ship, was that it was a sort of masterless vessel wandering over the seas and found a little business here and there belonging to the individual running it and was a free lance. That is not the case as to the tramp ship as you define it, is it?

Mr. KELLOGG. That is where the term originated, but it has come down to the basis of being used more in contract business than anything else.

Mr. HARDY. What is now called by the trade the tramp ship is generally the property or under the control of the strong lines?

Mr. KELLOGG. Not necessarily.

Mr. HARDY. But the large majority of the so-called tramp ships are really in the control of the strong lines, are they not?

Mr. KELLOGG. No; I do not think we can say that.

Mr. HARDY. You said you had about 100 of them?

Mr. KELLOGG. We have about 100 of them, but 100 ships is a pretty small thing in the tramp trade.

Mr. HARDY. Yes; but you do not represent all of the business by a good deal. Other lines have the same characteristics. have they not?

Mr. KELLOGG. That is right, but do you realize that any one tramp ship can come to Cuba, and we have 10 ships offering for business to make the rate for those 10 ships?

Mr. HARDY. That is what I understand. Unless you have one tramp ship there, the first-class schedule ships maintain their rates, and if you had this one tramp ship coming in there you could keep that independent tramp from cutting the rate?

Mr. KELLOGG. We are identically on the same basis with them; operating northbound.

Mr. HARDY. Did you read Mr. Story's testimony?

Mr. KELLOGG. I did; yes, sir.

Mr. HARDY. And you saw what he said here about the Munson ship going out of Mobile?

Mr. KELLOGG. In connection with the Munson ship going out of Mobile in competition with his line?

Mr. HARDY. Yes.

Mr. KELLOGG. That is absolutely untrue.

Mr. HARDY. You did not schedule that ship, as I understand it, at all?

Mr. KELLOGG. We are an American concern and have no interest in those foreign-owned lines whatever. We are building up our own business and control American trade, but we are obliged to use foreign tools to do it, because we have to compete with the foreign ships.

Mr. HARDY. And if you have to pay twice as much for your ships, you can not compete with the fellow who pays only half your price?

Mr. KELLOGG. We could not.

Mr. WILSON. How is the market rate in shipping in tramp ships established? How do you arrive at it?

Mr. KELLOGG. By the number of the steamers offering for the business.

Now would the number of steamers offering for the market rate for transportation?

Well, in the first place, they affect the time-charter rate, and they bring down the cost of the steamer to our time-chartered steamer, and that naturally carries the rate of freight that shall be offered on that steamer.

Mr. WILSON. Would not the rate of freight be established in accordance with what some one else was offering?

Mr. KELLOGG. Certainly.

Mr. WILSON. Then, would not the tramp steamer, if it was a free steamer, offering a lower rate than the rate you secure, affect the regular services?

Mr. KELLOGG. It would unless they closed the cargo and it would go out of the market.

The CHAIRMAN. You would just wait until they got loaded out, would you not?

Mr. KELLOGG. That would depend. We might have to keep waiting. They might keep coming in all the time, one after the other.

The CHAIRMAN. I meant just the one ship. That would be a very unusual proposition to deal with which you suggest?

Mr. KELLOGG. That would hardly be the basis to figure on, because they would not be confined to one ship. There are other time charterers and there are other owners, and an owner will sometimes bring in a ship with sugar from Cuba, and sometimes a ship of the South American Line will come in from Cuba.

Mr. WILSON. As a matter of fact, could not the corporation that had 10 charters available put the individual tramp ship out of business by simply lowering the rates for cargo, having 9 other vessels available with which to handle the business?

Mr. KELLOGG. It could not.

Mr. WILSON. Would not they have 10 times the opportunity for cutting that the one tramp ship would have?

Mr. KELLOGG. They would have 10 times the opportunity of losing the money also.

Mr. WILSON. They would have ten times as much to use, and therefore they would have ten times as much to lose as the one tramp.

Mr. KELLOGG. And we would have to charge a pretty good percentage against the capitalization.

Mr. HARDY. I think the clearer way to ask the question would be—These 10 ships would divide the loss by 10, whereas 1 ship would have to bear it all, if your 10 ships all belonged to the same company.

Mr. KELLOGG. No; in other words, if the 10 ships tried to fight the 1, the 10 ships would all have to take the low rate of the 1. If the 1 wanted the cargo bad enough, she would take it at anything better than ballast freight.

The CHAIRMAN. You would not send 10 ships into one port to compete with the one ship; you would just send the one fighting ship in there to compete with the one tramp, would you not, and put the rate down so that the tramp ship would be compelled to take the cargo at a loss. That would be the practical way of working that proposition, would it not?

Mr. KELLOGG. No, sir; that is not correct, because a cargo of sugar may be taken by the ship that is in any port in Cuba; that is, any port in any of the West Indies or the Gulf of Mexico.

The CHAIRMAN. Is not the policy of all the regular lines to charter and control as many of these so-called tramp ships as they can and operate them in any trade, anywhere, just so they can get them out of the way, and the loss is not too great to prevent competition?

Mr. KELLOGG. No, sir. We charter ships to carry the business which we control by making satisfactory rates to control it.

The CHAIRMAN. But you do not charter them to prevent competition; you only charter when you can operate them at a profit?

Mr. KELLOGG. That is the way we figure it.

The CHAIRMAN. You never use them just to get rid of them? Did I understand you to say that?

Mr. KELLOGG. No, sir; we could not afford it.

The CHAIRMAN. If a tramp line at some port out in Cuba dropped in occasionally, the effect is to cut your rate. As a general proposition, do you not charter that ship and send it off somewhere else rather than have it annoy you in that way and compel you to cut your rate?

Mr. KELLOGG. We would charter the ship simply if we could use it and use it at a satisfactory price.

The CHAIRMAN. You could afford to do this if you did not make a penny on it, just to pay the operating expenses?

Mr. KELLOGG. Your question would imply that we were able to control the entire market that way, and it is absolutely impossible. The market varies from time to time according to the number of ships, and there is no one that is large enough to control that market.

The CHAIRMAN. Do you regard the tramp ship as a potent factor in regulating the rate in the ocean-carrying business?

Mr. KELLOGG. I think that the tramp ships carry the bulk of the cargoes of the world.

The CHAIRMAN. That is not the package freight?

Mr. KELLOGG. No; I mean the large bulk shipments.

The CHAIRMAN. Like wheat and coal? You do not mean to say that operating independently of the regular lines they carry the bulk of the cargoes of the world?

Mr. KELLOGG. Well, that depends upon what you call regular lines. There are lines that call themselves regular that operate tramp services.

The CHAIRMAN. You are operating a tramp service yourself?

Mr. KELLOGG. Yes; we operate a tramp service.

The CHAIRMAN. But, then, you are a regular line?

Mr. KELLOGG. Yes.

The CHAIRMAN. And charter ships?

Mr. KELLOGG. That is right.

The CHAIRMAN. And operate them as tramps in the irregular service? That is the sense in which you use the term, is it not?

Mr. KELLOGG. That is right.

The CHAIRMAN. And outside of those ships that are controlled by the regular lines, like yours in the irregular service, do you say the tramp ships control or carry the greater tonnage?

Mr. KELLOGG. I believe they do. The owners of ships work a great deal with brokers here or charter cargo and load cargoes themselves for Europe.

Mr. WILSON. What proportion of cargoes are carried in tramp ships of that character from and to the United States?

The four documents here submitted by the witness were here marked by the stenographer "Exhibits 71."

The CHAIRMAN. Are deferred rebates or other privileges or advantages granted in those contracts submitted, or have you any contracts with shippers, either to or from Cuba and from ports in the United States, granting deferred rebates or other privileges or advantages?

Mr. KELLOGG. We have not.

The CHAIRMAN. Do you discriminate against shippers—that is, give one a more favorable rate than another?

Mr. KELLOGG. We have made every endeavor in our business to keep all lines of trade on an equal basis.

The CHAIRMAN. How have you succeeded?

Mr. KELLOGG. Very well.

The CHAIRMAN. Have you any exceptions to the rule?

Mr. KELLOGG. None except those which might be affected by a contract. A man who makes a contract with us for a year might, in some cases, be paying more freight if competitive conditions had forced our rates down at different times.

The CHAIRMAN. Is it a fact that he does that?

Mr. KELLOGG. He has done it in several cases; yes.

The CHAIRMAN. Are there any such contracts existing now?

Mr. KELLOGG. There is one contract, which I have handed in here, entered into with a firm in New York, which exports to their own plantation and uses its own goods—uses its own materials on its own plantations. There is one other contract, which is made with a railroad in Cuba, which buys all its own supplies and utilizes them on its railroads.

Mr. WILSON. Would there not also be different rates on some of those contracts—where one would have a rate less than the others on the same ship?

Mr. KELLOGG. It might be so; yes.

Mr. WILSON. Has it actually been so?

Mr. KELLOGG. Yes; it has been so. It would naturally work both ways.

Mr. WILSON. Is not that generally the case that those who make contracts with you have a less rate than the others?

Mr. KELLOGG. They naturally expect to get some benefit out of it, either in service or in rates.

The CHAIRMAN. What proportion of your northbound freight is contract freight?

Mr. KELLOGG. I can not answer for the northbound freight, excepting that one commodity—that is, sugar; practically, that is the basis of the northbound cargo.

The CHAIRMAN. And constitutes the larger part of it?

Mr. KELLOGG. Constitutes the larger part of it; yes, sir.

The CHAIRMAN. What proportion of your freight to Cuba is contract freight?

Mr. KELLOGG. Practically none.

The CHAIRMAN. I believe you say you are also agent for the Boston & Havana Steamship Co.?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. You may state whether or not that company has any agreement or agreements or any understanding or understand-

ings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States and Habana, or to or from any port in Cuba.

Mr. KELLOGG. It is only a freight line and has no agreements to keep rates as close to the New York rates as possible.

The CHAIRMAN. What other lines operate between Boston and Cuban ports?

Mr. KELLOGG. No other line.

The CHAIRMAN. Is there an agreement with any other company that you shall have the exclusive trade from Boston to ports in Cuba?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You know that to be true, do you?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Either as to the division of traffic or any other matter?

Mr. KELLOGG. None whatever.

The CHAIRMAN. You said you tried to keep your rates the same. What were you referring to, the New York rates?

Mr. KELLOGG. The New York rates.

The CHAIRMAN. That is, the New York rates are not uniform?

Mr. KELLOGG. Well, not exactly uniform, no; they will vary some. We try to keep pace—

The CHAIRMAN (interposing). They are uniform so far as Habana is concerned, but I believe the ports you speak of that your line enters in Cuba, with the exception of the Royal Mail, are not entered by any other line except occasionally some ship which may call?

Mr. KELLOGG. Yes.

The CHAIRMAN. The Boston & Havana Co. operates between Boston and Habana, does it not?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Your company does not operate to Habana at all, does it?

Mr. KELLOGG. Not from New York.

The CHAIRMAN. That is what I understood. Do you mean to say that the rates from Boston to Habana are the same as from New York to those other points in Cuba, or to the points in Cuba to which your ships run?

Mr. KELLOGG. No; we base our rates on what we might find to be the rates from New York to Habana.

The CHAIRMAN. That is the Cuba Line?

Mr. KELLOGG. The New York & Cuba Mail Steamship Co.; yes. May I make a statement about the remark you made about our rates being higher to the ports on the north coast of Cuba?

The CHAIRMAN. Yes.

Mr. KELLOGG. We operate services from New York to four ports—Matanzas, Sagua, Caibarien, and Cardenas—in order to get a cargo. It takes those ships four weeks to make that trip, while a steamer going to one port can make the trip in two weeks. Furthermore, none of those ships go to the dock; every one of them pays lighterage and at some of the ports we pay the charges for delivering the cargo on cars at the city; for instance at Sagua, we lighter first, discharging the lighters into cars, and pay the railroad on the freight up to Sagua; so this would make the rates seem higher than they really are, as far as the steamship companies are concerned.

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Mr. KELLOGG. The Muson Line owns both the Mobile Line and the Baltimore Line.

The CHAIRMAN. Is there any understanding between your line and the Ward Line?

Mr. KELLOGG. No, sir; no understanding.

The CHAIRMAN. With reference to either the rates out of New York, or the rates out of Baltimore to Cuba, or that your company will operate directly from New York; and the Ward Line shall not operate from Baltimore to Habana or other ports in Cuba?

Mr. KELLOGG. No such understanding. We would answer their questions about rates, and would expect them to answer ours.

The CHAIRMAN. But there is no understanding, direct or indirect, in reference to making the rates?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You are not acting in accord, are you?

Mr. KELLOGG. No, sir; we would reserve the right at any time to take any block of cargo we wanted at any rate we saw fit, even without notifying, if we thought the business warranted.

The CHAIRMAN. And there is no amicable arrangement between you that will avoid competition between the two lines, is there?

Mr. KELLOGG. Not of necessity; there is simply the arrangement as a matter of business policy of talking over with one another what the rates might be.

The CHAIRMAN. Well, you agree you will not fight, do you not?

Mr. KELLOGG. We do not even agree to that.

The CHAIRMAN. You say to each other "We will be good friends, and the only way to be good friends is for both to operate on the same basis." Is not that it?

Mr. KELLOGG. We have not tried out yet whether we can operate on the same basis with a semimonthly service—compared with their biweekly service.

Mr. HARDY. You are very pleasantly associated together, are you not; you talk in a friendly manner over the traffic arrangements?

Mr. KELLOGG. The traffic manager of the Ward Line has been my friend long before he went in as traffic manager with the Ward Line.

Mr. HARDY. Of course, any question of interest of the lines does not make any difference with old friends?

Mr. KELLOGG. You naturally come in closer contact with a man you know than with one you do not know.

Mr. HARDY. As a matter of fact you talk together and compare notes and sort of understand the whole thing; the whole thing goes satisfactorily, does it not?

Mr. KELLOGG. We have no regular meetings of any kind.

Mr. HARDY. You do not have to have regular meetings, but you meet pretty frequently do you not?

The CHAIRMAN. Whenever the occasion requires, you keep harmony in the family?

Mr. HARDY. In other words, you avoid even the appearance of evil, do you not?

Mr. KELLOGG. We are all endeavoring, as far as I can find, to make our lines go; to make them pay their way.

Mr. WILSON. Are any of the directors of the Munson Co. also directors of other steamship lines?

Mr. KELLOGG. They are not.

Mr. WILSON. Are any of the large stockholders of the Munson Co. large stockholders of any of the other steamship lines?

Mr. KELLOGG. No, sir.

Mr. HARDY. You said you employed tramp ships in and out of New York?

Mr. KELLOGG. Yes.

Mr. HARDY. There are quite a good many of them, are there not?

Mr. KELLOGG. We are operating to-day somewhere about 100 steamers.

Mr. HARDY. Of tramp character?

Mr. KELLOGG. Of tramp character, excepting those of which we are agents.

Mr. HARDY. These tramp ships are mighty good fighting instruments, are they not?

Mr. KELLOGG. Yes; they are pretty good on some occasions.

Mr. HARDY. If you have a sort of troublesome neighbor a tramp ship can go in without regard to your scheduled rates?

Mr. KELLOGG. They can in some trades; yes.

Mr. HARDY. These tramp ships, as I understand it—and I think I nearly understand it—simply mean a ship that goes anywhere it pleases, has no regular line?

Mr. KELLOGG. That is right; anywhere the contract calls for.

Mr. HARDY. You send it to South America to-day or to Liverpool to-morrow, wherever you get a cargo you want to provide for you will send that ship there?

Mr. KELLOGG. That is correct.

Mr. HARDY. These tramp ships, whenever you find somebody that is breaking into a custom, not walking pleasantly together, can be used without much regard to your schedule rates, can they not?

Mr. KELLOGG. No; they can not.

Mr. HARDY. In order to take a cargo away from the fellow that is dipping in, is not the tramp ship the instrument you use?

Mr. KELLOGG. We could not do that, because we would be competing with ourselves.

Mr. HARDY. I know, but a little competition with yourself does not hurt much, it only takes out of one pocket and puts it into the other, does it not?

Mr. KELLOGG. The situation when we have to compete with a steamer we already have on—

Mr. HARDY (interposing). As a matter of fact, do you not use these tramp ships for competing purposes, largely?

Mr. KELLOGG. We do not. The tramp ships are used entirely in full cargo business.

Mr. HARDY. Do you mean for bulk cargo?

Mr. KELLOGG. Bulk cargoes; full cargoes of coal, rails, or cars, anything of that sort.

Mr. HARDY. Simply as a matter of information, I understand your southbound ships frequently have no cargo northbound, and you make tramps of them for the time being?

Mr. KELLOGG. We make tramps of them not because we do not have a cargo northbound, but because the cargo northbound is practically a one-commodity proposition, and they will turn into the trade to contract for a full cargo of sugar, at whatever rates may be in effect at the time, according to market conditions.

Mr. HARDY. The ship that is on a regular line and is not a tramp ship going out becomes a tramp ship coming back?

Mr. KELLOGG. Yes; in other words, our Baltimore ship going to Habana might load one time at Habana sugar for New York and another time sugar for Boston and another time sugar for Philadelphia, and might go even to the north side of Cuba and load a cargo for any of the ports mentioned.

Mr. HARDY. The idea I used to have of a tramp ship, was that it was a sort of masterless vessel wandering over the seas and found a little business here and there belonging to the individual running it and was a free lance. That is not the case as to the tramp ship as you define it, is it?

Mr. KELLOGG. That is where the term originated, but it has come down to the basis of being used more in contract business than anything else.

Mr. HARDY. What is now called by the trade the tramp ship is generally the property or under the control of the strong lines?

Mr. KELLOGG. Not necessarily.

Mr. HARDY. But the large majority of the so-called tramp ships are really in the control of the strong lines, are they not?

Mr. KELLOGG. No; I do not think we can say that.

Mr. HARDY. You said you had about 100 of them?

Mr. KELLOGG. We have about 100 of them, but 100 ships is a pretty small thing in the tramp trade.

Mr. HARDY. Yes; but you do not represent all of the business by a good deal. Other lines have the same characteristics. have they not?

Mr. KELLOGG. That is right, but do you realize that any one tramp ship can come to Cuba, and we have 10 ships offering for business to make the rate for those 10 ships?

Mr. HARDY. That is what I understand. Unless you have one tramp ship there, the first-class schedule ships maintain their rates, and if you had this one tramp ship coming in there you could keep that independent tramp from cutting the rate?

Mr. KELLOGG. We are identically on the same basis with them; operating northbound.

Mr. HARDY. Did you read Mr. Story's testimony?

Mr. KELLOGG. I did; yes, sir.

Mr. HARDY. And you saw what he said here about the Munson ship going out of Mobile?

Mr. KELLOGG. In connection with the Munson ship going out of Mobile in competition with his line?

Mr. HARDY. Yes.

Mr. KELLOGG. That is absolutely untrue.

Mr. HARDY. You did not schedule that ship, as I understand it, at all?

Mr. KELLOGG. We are an American concern and have no interest in those foreign-owned lines whatever. We are building up our own business and control American trade, but we are obliged to use foreign tools to do it, because we have to compete with the foreign ships.

Mr. HARDY. And if you have to pay twice as much for your ships, you can not compete with the fellow who pays only half your price?

Mr. KELLOGG. We could not.

Mr. WILSON. How is the market rate in shipping in tramp ships established? How do you arrive at it?

Mr. KELLOGG. By the number of the steamers offering for the business.

Mr. WILSON. How would the number of steamers offering for the business affect the market rate for transportation?

Mr. KELLOGG. Well, in the first place, they affect the time-charter rate, which brings down the cost of the steamer to our time-chartered steamers, and that naturally carries the rate of freight that shall be charged on that steamer.

Mr. WILSON. Would not the rate of freight be established in accordance with what some one else was offering?

Mr. KELLOGG. Certainly.

Mr. WILSON. Then, would not the tramp steamer, if it was a free lance, offering a lower rate than the rate you secure, affect the regular services?

Mr. KELLOGG. It would unless they closed the cargo and it would go out of the market.

The CHAIRMAN. You would just wait until they got loaded out, would you not?

Mr. KELLOGG. That would depend. We might have to keep waiting. They might keep coming in all the time, one after the other.

The CHAIRMAN. I meant just the one ship. That would be a very unusual proposition to deal with which you suggest?

Mr. KELLOGG. That would hardly be the basis to figure on, because they would not be confined to one ship. There are other time charterers and there are other owners, and an owner will sometimes bring in a ship with sugar from Cuba, and sometimes a ship of the South American Line will come in from Cuba.

Mr. WILSON. As a matter of fact, could not the corporation that had 10 charters available put the individual tramp ship out of business by simply lowering the rates for cargo, having 9 other vessels available with which to handle the business?

Mr. KELLOGG. It could not.

Mr. WILSON. Would not they have 10 times the opportunity for cutting that the one tramp ship would have?

Mr. KELLOGG. They would have 10 times the opportunity of losing the money also.

Mr. WILSON. They would have ten times as much to use, and therefore they would have ten times as much to lose as the one tramp.

Mr. KELLOGG. And we would have to charge a pretty good percentage against the capitalization.

Mr. HARDY. I think the clearer way to ask the question would be—These 10 ships would divide the loss by 10, whereas 1 ship would have to bear it all, if your 10 ships all belonged to the same company.

Mr. KELLOGG. No; in other words, if the 10 ships tried to fight the 1, the 10 ships would all have to take the low rate of the 1. If the 1 wanted the cargo bad enough, she would take it at anything better than ballast freight.

The CHAIRMAN. You would not send 10 ships into one port to compete with the one ship; you would just send the one fighting ship in there to compete with the one tramp, would you not, and put the rate down so that the tramp ship would be compelled to take the cargo at a loss. That would be the practical way of working that proposition, would it not?

Mr. KELLOGG. No, sir; that is not correct, because a cargo of sugar may be taken by the ship that is in any port in Cuba; that is, any port in any of the West Indies or the Gulf of Mexico.

The CHAIRMAN. Is not the policy of all the regular lines to charter and control as many of these so-called tramp ships as they can and operate them in any trade, anywhere, just so they can get them out of the way, and the loss is not too great to prevent competition?

Mr. KELLOGG. No, sir. We charter ships to carry the business which we control by making satisfactory rates to control it.

The CHAIRMAN. But you do not charter them to prevent competition; you only charter when you can operate them at a profit?

Mr. KELLOGG. That is the way we figure it.

The CHAIRMAN. You never use them just to get rid of them? Did I understand you to say that?

Mr. KELLOGG. No, sir; we could not afford it.

The CHAIRMAN. If a tramp line at some port out in Cuba dropped in occasionally, the effect is to cut your rate. As a general proposition, do you not charter that ship and send it off somewhere else rather than have it annoy you in that way and compel you to cut your rate?

Mr. KELLOGG. We would charter the ship simply if we could use it and use it at a satisfactory price.

The CHAIRMAN. You could afford to do this if you did not make a penny on it, just to pay the operating expenses?

Mr. KELLOGG. Your question would imply that we were able to control the entire market that way, and it is absolutely impossible. The market varies from time to time according to the number of ships, and there is no one that is large enough to control that market.

The CHAIRMAN. Do you regard the tramp ship as a potent factor in regulating the rate in the ocean-carrying business?

Mr. KELLOGG. I think that the tramp ships carry the bulk of the cargoes of the world.

The CHAIRMAN. That is not the package freight?

Mr. KELLOGG. No; I mean the large bulk shipments.

The CHAIRMAN. Like wheat and coal? You do not mean to say that operating independently of the regular lines they carry the bulk of the cargoes of the world?

Mr. KELLOGG. Well, that depends upon what you call regular lines. There are lines that call themselves regular that operate tramp services.

The CHAIRMAN. You are operating a tramp service yourself?

Mr. KELLOGG. Yes; we operate a tramp service.

The CHAIRMAN. But, then, you are a regular line?

Mr. KELLOGG. Yes.

The CHAIRMAN. And charter ships?

Mr. KELLOGG. That is right.

The CHAIRMAN. And operate them as tramps in the irregular service? That is the sense in which you use the term, is it not?

Mr. KELLOGG. That is right.

The CHAIRMAN. And outside of those ships that are controlled by the regular lines, like yours in the irregular service, do you say the tramp ships control or carry the greater tonnage?

Mr. KELLOGG. I believe they do. The owners of ships work a great deal with brokers here or charter cargo and load cargoes themselves for Europe.

Mr. WILSON. What proportion of cargoes are carried in tramp ships of that character from and to the United States?

Mr. KELLOGG. Why, it is so much that I am not acquainted with it.

Mr. WILSON. A tramp ship that is not owned or controlled by some regular steamship line, you have reference to; they carry the bulk of the cargoes to and from the United States?

Mr. KELLOGG. That would be hard for me to say, because it covers such a wide territory that it would be impossible to say without looking it up.

Mr. WILSON. Your judgment is, however, that they do?

Mr. KELLOGG. My judgment is that the tramp ships that are operated in the regular lines—the tramp steamers that operate with the regular lines—are the ones that carry the bulk of the cargo.

Mr. WILSON. What proportion of the tramp steamers, or what percentage of the cargoes to and from the United States, are carried by tramp steamers not owned by regular lines?

Mr. KELLOGG. It would be impossible for me to tell.

The CHAIRMAN. Are any of these lines with which you are connected owned or controlled by railroads?

Mr. KELLOGG. No, sir.

The CHAIRMAN. This line out of Mobile—is your line the only line out of Mobile to Cuba?

Mr. KELLOGG. To Cuba, yes, sir.

The CHAIRMAN. How are the rates from Mobile to Cuba, as compared with the rates from New York?

Mr. KELLOGG. The rates from New York are about the same as from Mobile to Cuba.

The CHAIRMAN. What is the difference in distance?

Mr. KELLOGG. Practically 400 miles.

The CHAIRMAN. In favor of Mobile?

Mr. KELLOGG. In favor of Mobile.

The CHAIRMAN. Can you explain how that is that Mobile does not have a differential?

Mr. KELLOGG. It would be impossible for them to have a differential, because the lines of the Atlantic coast would meet the rates. We possibly make the rates on grain products and packing-house products, because of being nearer the territory that produces them, and the New York lines would be likely to follow those rates in order to develop what business they could from their territory. I might state that that line is a member of the Gulf Foreign Freight Committee, and the one tariff is published from Mobile, New Orleans, and Galveston to Habana and Cuban outports.

The CHAIRMAN. And that committee, in conference, fixes rates out of those different ports to foreign ports?

Mr. KELLOGG. Yes; at the conference they name, independently, the rates that are going into that tariff.

The CHAIRMAN. What do you mean? When they get together how do they name them independently?

Mr. KELLOGG. Those rates are made absolutely as the railroad rates are made in this country.

The CHAIRMAN. Well, how is that?

Mr. KELLOGG. Well, the Gulf Foreign Freight Committee is a railroad committee. We originally made rates with the railroads from the Gulf to Cuba on a pro rata basis. We did it and filed our tariffs with the Interstate Commerce Commission for a time—under the law being forced to do so—until the Supreme Court rendered the decision

that Cuba was not an adjacent country and did not come under the act. We were obliged then to make an independent rate from the Gulf to Cuba, and the rates were made by the same committee as made the rates previously.

The CHAIRMAN. So the upshot of it is, then, that the railroads make your rates from Galveston, New Orleans, Mobile, and New York to Cuban ports?

Mr. KELLOGG. No; the railroads have nothing to do with those rates. They are made by the steamship lines represented in the conference. They are only published by this Gulf Foreign Freight Committee as a committee.

The CHAIRMAN. Does that committee have any relations with the railroads?

Mr. KELLOGG. Only as a matter of interest in developing Gulf business; that is all. The railroads have no influence whatever over our rates.

The CHAIRMAN. You do not see any anomaly in the fact that the rates from Mobile and New York to Cuba are the same, although the difference in distance is about 400 miles?

Mr. KELLOGG. Well, sir, we have not the variety of cargo from the Gulf and the combination of cargo to make as good a showing as they have from New York. We can not get the high-class dead-weight freight to couple up with the measurement freight which we have from the Gulf.

The CHAIRMAN. Are there not several southern ports so adjusted that the shipper from those ports can not have any advantage over the rates from New York or Boston?

Mr. KELLOGG. Take a given point like Chicago. It would be a question of whether or not the lines from the Atlantic coast want to give us the combination of rates which could be made through the Gulf.

The CHAIRMAN. It does not cost any more to send packing-house products by way of New Orleans to Cuba, for instance, than it does via New York? It ought not to.

Mr. KELLOGG. It does not.

The CHAIRMAN. The rate from Chicago to New Orleans by rail; is that different from the rate from Chicago to New York by rail?

Mr. KELLOGG. I believe the rate from Chicago to New York is 30 cents a hundred on packing-house products, and from Chicago to Mobile there is an export rate of 24 cents.

The CHAIRMAN. And yet, notwithstanding that difference of 6 cents a hundred, the ocean rate from Mobile to Cuba is the same as from New York?

Mr. KELLOGG. Yes, sir; that is the same as the local rate from New York.

Mr. WILSON. Is the combined rate from Chicago to Cuba by way of Mobile 6 cents less than the combined rate from Chicago to Cuba by way of New York?

Mr. KELLOGG. I understand that the New York line will absorb the difference in the rate in order to gain business when they are short of cargo.

Mr. WILSON. When they have through cargoes they do not carry it for that much less?

Mr. KELLOGG. Whether they do that as a regular thing or not I do not know. The amount is actually by the shorter route through the Gulf.

The CHAIRMAN. The railroad does not cut the rate from Chicago to New York in order to meet that possible competition at Mobile?

Mr. KELLOGG. I can only answer that as a matter of information. I should say decidedly no.

The CHAIRMAN. You do not know of any contracts to that effect?

Mr. KELLOGG. I think it is absolutely out of the question for a railroad company to make any contract to-day with any steamship company that would violate the interstate commerce act.

The CHAIRMAN. Then you have no understanding or agreement with any railroad by which you do prorate?

Mr. KELLOGG. None whatever. We changed that contract to comply with the law. That is, the railroad changed it.

The CHAIRMAN. So you get no part of the rate from Chicago to New York for transporting the goods from New York to Cuban ports?

Mr. KELLOGG. None whatever, or from the Gulf.

The CHAIRMAN. In other words, there is no rebate to you, nor from you to the railroad company?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You accept the freight in New York, transport it to Cuba, and receive no other rate than that which is charged by the company—that is, to the shipper alone? You do not get any differentials from the railroad company?

Mr. KELLOGG. Absolutely none.

The CHAIRMAN. And that is true from Mobile?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. And yet this Gulf conference, you say, meets and arranges the tariff independently from those several ports to foreign ports. What does that conference do when it meets? What are the subjects it considers, and what matters do they determine?

Mr. KELLOGG. Of course, I do not attend any more the railroad conference. There is no object in my being there. At the time we prorated rates there was an object in my being there.

The CHAIRMAN. When did you cease prorating rates?

Mr. KELLOGG. At the time it was prohibited by the Interstate Commerce Commission and before a date set by them when these through rates should be taken out and independent rates established.

The CHAIRMAN. But the conference still goes on. Now, do they exercise the same power as they did before? If not, what is the limitation, what is the scope of their work now as compared with what it was formerly?

Mr. KELLOGG. As far as the railroad rates are concerned, they simply cover the export rates for the railroads; as far as the steamship company end of it is concerned, covering the steamship rates from Gulf ports to Cuba.

The CHAIRMAN. Take it from Mobile to Cuba. Are the rates fixed in New York, or are they fixed in Mobile, and do you confer about the rate in Mobile? You do not quote from New York to make up the differential in the rate from Chicago; you simply add to the rate from Mobile?

Mr. KELLOGG. No; the situation is that the Gulf ports will make the best rates. If the New York lines want that business they naturally have to absorb the difference in the rate to get it.

The CHAIRMAN. But where you control the trade from New York and Mobile both, you do not want the committee to understand you would cut the New York rate; you would increase the rate from Mobile, wouldn't you? You could do it both ways?

Mr. KELLOGG. Yes. Well, the tendency would be, as far as we are concerned, to allow to go through the Gulf any business that belonged to the Gulf. It is only our competitors that would be willing to cut the New York rate.

The CHAIRMAN. But if they had the difference of 6 cents a hundred there is no question but what the traffic would go through Mobile?

Mr. KELLOGG. If Mobile had the difference in their favor? Certainly.

The CHAIRMAN. You say the difference on packing-house products is about 6 cents in favor of Mobile?

Mr. KELLOGG. Out of Chicago.

The CHAIRMAN. Yes; out of Chicago. If you would simply add a rate proportional to the distance and the actual service out of Mobile to Cuba, the packing-house products for Cuba would go through Mobile?

Mr. KELLOGG. They do go through Mobile principally.

The CHAIRMAN. So they do not go through New York?

Mr. KELLOGG. Not in any great quantities; they do in some cases. It is all a matter of convenience to the shipper. The shipper can choose his own rate.

The CHAIRMAN. He is influenced by what it costs, isn't he?

Mr. KELLOGG. As I say, it is my understanding the New York lines would absorb that and give the shipper the same opportunities for rating through New York as he has through the Gulf.

Mr. WILSON. As I understand it, this Gulf conference meets and determines the railroad rates from the interior to Mobile?

Mr. KELLOGG. To all Gulf ports.

Mr. WILSON. To all Gulf ports, and at the same time determines the rates from Gulf ports to Cuba or foreign ports?

Mr. KELLOGG. Not at the same time; they do not have a general meeting at all.

Mr. WILSON. In connection with it, at least?

Mr. KELLOGG. No; not in connection with it. We, being originally members of the same conference, continued under the same conference as far as membership was concerned, but if we want to talk about a rate to Cuba we talk about it among steamship lines only.

The CHAIRMAN. And those lines fix the rate from all the Gulf ports and Atlantic ports to Cuba?

Mr. KELLOGG. Each line is independent; they can name any rate they want. Naturally, the man that fixes the rate fixes the lowest rate every time. A notice is sent to the chairman, and when we see the notice we meet that rate. We can not do otherwise.

Mr. WILSON. When the conference has established rates from the interior to these ports, doesn't it have the effect of establishing a through rate to Cuba?

Mr. KELLOGG. The combination of the rates would make the through rate.

Mr. WILSON. Now, having established a through rate from the interior by virtue of this conference, or conferences, as the case may be, is there a different rate established for cargoes originating at the port and not coming from the interior?

Mr. KELLOGG. There is not.

Mr. WILSON. The same rate is given to cargoes originating in the port that is given to cargoes coming from the interior?

Mr. KELLOGG. The tariff is published and is maintained. Supplements to it are issued from time to time.

Mr. WILSON. You do not pursue the policy that some concerns pursue of cutting your own tariff rates?

Mr. KELLOGG. No; not without notifying the chairman of this conference that we are going to make a certain rate.

Mr. WILSON. Is that true out of New York also?

Mr. KELLOGG. No; that is not true out of New York.

Mr. WILSON. Do you cut the rates in New York?

Mr. KELLOGG. In New York our rates are made according to competitive conditions from time to time.

Mr. WILSON. You have no conference governing your rates in New York?

Mr. KELLOGG. No conference whatever.

Mr. WILSON. In what manner is the rate out of New York established?

Mr. KELLOGG. By the competitive conditions at the time.

Mr. WILSON. What are the competitive conditions as to regulations?

Mr. KELLOGG. There might be many of them; it would depend on the class of cargo. For instance, with large shipments of rails or anything of that sort it might be a tramp steamer. In some cases it is competition by lines that stop at the ports irregularly.

The CHAIRMAN. This Gulf freight conference meets and determines the rate from Galveston to Cuba, New Orleans to Cuba, and Mobile to Cuba, does it not?

Mr. KELLOGG. Gulf ports to Cuba.

The CHAIRMAN. They fix the rates from Gulf ports to Cuba, and the purpose of that is that the inland traffic would not be concentrated at any one or more of those ports. If it was it would prejudice your line out of Mobile, for instance; it would prejudice the line operating to Cuban ports out of New Orleans; it would prejudice the line operating out of Galveston. You are all in agreement in determining those rates so that this traffic shall be distributed between them equitably, as you regard it.

Mr. KELLOGG. We are absolutely independent in the rate situation. We can declare an independent rate at any time.

The CHAIRMAN. Then, what in the world is the use of this conference? Explain to us some utility that it has.

Mr. KELLOGG. Suppose we were quoting a rate on packing-house products from Mobile to Cuba of 20 cents indiscriminately, and the shippers use a hammer over another line and say, "I am getting a rate of 18 cents," when they are only getting 20 cents, perhaps. They lead the other steamship company astray. It is bad for shippers; it is

bad for steamship companies. Every shipper will tell you to-day that he would prefer to have a uniform rate that he knows is uniform than to not know what the rate is on account of indiscriminate cutting of rates in all directions.

The CHAIRMAN. We have had that often stated before the committee, but I would like you to state in a few words what the purpose of this conference is. I think I understand why it can be made very useful to these lines, but in view of what you have said I confess I think it is a useless affair.

Mr. KELLOGG. It is a question of talking over what would be a legitimate and fair rate for the business.

The CHAIRMAN. From those different ports?

Mr. KELLOGG. From those different ports.

The CHAIRMAN. So that, for instance, the shipper at New Orleans could not be quoted a rate which would bring in competition and concentrate the traffic there and favor the line from New Orleans to Cuban ports and leave your line out?

Mr. KELLOGG. That is right; you could not favor one port to the detriment of the other port.

The CHAIRMAN. That is what I have been trying to get at for the last 20 minutes.

Then, as I understand, this Gulf traffic conference fixes rates from those several points to foreign ports?

Mr. KELLOGG. Not necessarily. That line fixes the rate independently.

The CHAIRMAN. Oh, you have repeated that; but you agree that, for instance, the rates from Galveston shall be, just for the purpose of illustration, 18 cents on packing-house products; from New Orleans it shall be 20 cents, and from Galveston it shall be 25 cents, do you not?

Mr. KELLOGG. No, sir; if in talking over the matter I might declare that my company would put in a rate of 25 cents, and somebody else would declare that his company would put in at the rate of 22 cents. Now, I would have to use my own judgment as to whether I found it necessary to instruct the chairman of the committee to publish for me a 22-cent rate or stand by my 25-cent rate.

The CHAIRMAN. What would you want with a committee in that event, anyhow. Why not just go ahead and publish your rates?

Mr. KELLOGG. It might be just as well to publish rates.

The CHAIRMAN. Why not tell him, "Here, I am going to make a rate of 18 cents from Mobile," and he would say, "All right. I will make a rate of 18 cents from New Orleans," and then the Galveston man would say, "All right, I will make a rate of 18 cents from Galveston." Now, there would be trouble right off, would there not, and friction, and quarreling?

Mr. KELLOGG. I do not see why there would. We would have to be guided by the 18-cent rate, which was named by one of the other lines, to handle the business.

The CHAIRMAN. You do not have the same rate on any commodity from any one of these three ports?

Mr. KELLOGG. The rates and the tariff are the same. There may be some variations.

The CHAIRMAN. Between these three ports?

Mr. KELLOGG. There may be some variations; there may be some difference in one line, who do not want to carry the business at certain rates.

The CHAIRMAN. Do you not leave it up to the tariff when it is published?

Mr. KELLOGG. Yes; we do.

The CHAIRMAN. When you do depart from those rates it must be by agreement?

Mr. KELLOGG. Not necessarily. We can depart from the rates and simply send a notification that we wanted certain rates published.

The CHAIRMAN. Is there much of that done?

Mr. KELLOGG. There is quite considerable of it done.

The CHAIRMAN. By your company?

Mr. KELLOGG. I named recently a rate on hay—very recently—of which I notified the chairman, and the chairman notified the other parties, and they naturally put in the same rate.

The CHAIRMAN. That was a part of the working arrangement? [No response.]

Mr. HARDY. Was that a higher or a lower rate?

Mr. KELLOGG. Thirty cents a hundred.

Mr. HARDY. Was that higher than the existing rate?

Mr. KELLOGG. That was higher than the existing rate.

Mr. HARDY. You made a rate, and they followed it?

Mr. KELLOGG. Yes. We also work it the other way in making reductions.

The CHAIRMAN. If you made a lower rate, they could go to the lower rate?

Mr. KELLOGG. Yes; or they might do it, and we would naturally have to follow them.

Mr. HARDY. But, as a general thing, when the conference meets you talk over your different ideas, and when the conference rises you are pretty well agreed?

Mr. KELLOGG. We naturally—we have got to agree with the man who says he is going to make a certain rate.

Mr. HARDY. Whatever you have to do, as a matter of fact, you generally rise in pretty nearly an agreement when the conference is over; is not that true?

Mr. KELLOGG. Of course, it is naturally this way; we do not give our notice to the chairman until the conference is over.

The CHAIRMAN. When it is over you are generally pretty near an agreement?

Mr. KELLOGG. We have to be in agreement.

Mr. HARDY. Do you mean to say by that that you are always in agreement when the conference is over?

Mr. KELLOGG. We sometimes have different ideas and different opinions, and we do not agree in opinions—naturally we do not agree.

Mr. HARDY. Now, when you get through you agree on rates?

Mr. KELLOGG. When we get through we size the situation up and say, "Here, if that man is going to give a certain rate from Galveston, we have to make the same rate from Mobile."

Mr. HARDY. You have said that you have agreed, and I suppose you do before you quit?

Mr. KELLOGG. There is no agreement, and generally there is absolutely independent action.

Mr. HARDY. But from what you said now, you do agree?

Mr. KELLOGG. Perhaps the term "agree" does not cover it. We have to meet the lowest rate that is in effect or else decide that we will go without the business.

Mr. HARDY. As a matter of fact, all you do, if you have different opinions, is to acquiesce in that of the majority, do you not?

Mr. KELLOGG. We acquiesce in the tariff rate of the lowest man making the rate.

Mr. HARDY. And when you get through, you have all acquiesced in the rate fixed?

Mr. KELLOGG. When we go home and think it over, we sometimes think it is best to do it.

Mr. HARDY. As a matter of fact, you do all acquiesce, do you not?

Mr. KELLOGG. Not necessarily. We may do something that we do not want to do.

Mr. HARDY. Not necessarily; but actually, what do you do?

Mr. KELLOGG. We do whatever we think is for the best interests of our lines.

Mr. HARDY. How have you done in the past five or six conferences?

Mr. KELLOGG. In some cases we have met the rate and in some we have not—in most cases we have.

Mr. HARDY. Have you ever broken the conference up by two members saying, "We will not abide by the results or conclusions you have reached"?

Mr. KELLOGG. That would have nothing to do with the rates, really, because it would be a question of what—

Mr. HARDY. We want to know whether in these conferences you have ever disagreed and ever broken up in disagreement, or whether you have always acquiesced in the conclusions reached by the conference?

Mr. KELLOGG. Yes; we have broken up in disagreement.

Mr. HARDY. How long ago was that?

Mr. KELLOGG. Perhaps two or three years ago or three or four years ago.

Mr. HARDY. It has been three or four years ago since you broke up in disagreement?

Mr. KELLOGG. Yes.

Mr. HARDY. Where did you have this conference?

Mr. KELLOGG. They are really not conferences—they are mostly done by correspondence—things of that sort. We notify the chairman that there is a certain rate to be affected.

Mr. HARDY. You do have meetings, do you not?

Mr. KELLOGG. We do meet sometimes.

Mr. HARDY. Where?

Mr. KELLOGG. Various points; sometimes New York, sometimes New Orleans.

Mr. HARDY. Is it for your Gulf conference that you meet in New York?

Mr. KELLOGG. The Gulf conference, wherever it meets.

Mr. HARDY. Where did you meet last?

Mr. KELLOGG. New Orleans.

Mr. HARDY. Was that where you had your break-up and disagreement? Where did you have that disagreement?

Mr. KELLOGG. I think that was in Chicago.

Mr. HARDY. That was about four years ago?

Mr. KELLOGG. Something like that.

Mr. HARDY. Is it not that you all recognized that each man is a law to himself and has the right to kick clear over the traces, but you have met together for the purpose of harmonizing your interests and reaching an agreement?

Mr. KELLOGG. We are trying to keep ourselves from destroying each other.

Mr. HARDY. I think I stated it about that way, did I not?

Mr. KELLOGG. We are trying to keep ourselves from destroying each other.

Mr. HARDY. I may have used a little different term, but the purport of the thing is about the same; that is your object, to harmonize.

Mr. KELLOGG. Naturally the object of the oral agreement is that a man will simply know what is going on.

Mr. HARDY. Of course, that is the purport.

Mr. KELLOGG. And be familiar with other people's business.

Mr. HARDY. That is the purpose of all agreements?

Mr. KELLOGG. If they can be called "agreements."

Mr. HARDY. Is not that the "understanding," then? You do understand it, when you get through?

Mr. KELLOGG. We think we do.

Mr. HARDY. And all of you understand it? [No response.] You said a moment ago, I think, that you usually charter foreign-built ships under foreign flags, but now that the tonnage all over the world had gone up you chartered some American vessels?

Mr. KELLOGG. We are able to charter perhaps two or three in our fleet of American vessels.

Mr. HARDY. Do they fly the American flag?

Mr. KELLOGG. Yes.

Mr. HARDY. Do you find any difference in the cost? Would you not charter all American vessels if you could get them at the same price?

Mr. KELLOGG. There is no question about it.

Mr. HARDY. Would there be any difference in running these vessels under American and the foreign flag?

Mr. KELLOGG. Not as far as we are concerned, because we do not pay the operation of the crew.

Mr. HARDY. As a matter of fact, there is really nothing to prevent you from running the American flag, except the cost of the ship, is there?

Mr. KELLOGG. Absolutely so.

Mr. HARDY. That is absolutely in your business between you and the American flag?

Mr. KELLOGG. That is right. We are Americans and naturally would be interested in anything that is American.

Mr. HARDY. I believe you stated yours is an American company trying to build up American trade?

The CHAIRMAN. We have the terms published by the company, for instance, operating out of Mobile, one out of New Orleans, and one out of Galveston to Cuba. Those tariffs are all published; they con-

tain the names of all the companies on the title page, and purport to be joint tariffs by all of the companies operating from the several ports I have mentioned to Cuba, and yet you want us to understand that those rates are not made by agreement and those tariffs are not joint tariffs and are not fixed in this conference?

Mr. KELLOGG. Those rates are made identically in the manner of all the associations which make rail-line rates.

The CHAIRMAN. They are made up in these conferences, are they not?

Mr. KELLOGG. They are talked over in the conference with the idea of getting at what is fair and legitimate.

The CHAIRMAN. Who is the man who goes to work and publishes them and puts the names of all the companies, apparently parties to those rates on the sheet, and sends them out?

Mr. KELLOGG. That is Chairman Hausman, of the Gulf lines freight committee.

Mr. WILSON. By what authority does he do that?

Mr. KELLOGG. He is the representative of the lines.

Mr. WILSON. Represented in the conference?

Mr. KELLOGG. Yes.

Mr. WILSON. The conference then directs him to do that?

Mr. KELLOGG. No; independently each ship company directs him what the rate shall be?

Mr. WILSON. After the conference?

Mr. KELLOGG. Yes; at any time.

The CHAIRMAN. Does he have power of attorney to do that?

Mr. KELLOGG. I could not answer that directly.

The CHAIRMAN. He is authorized by your company to do it?

Mr. KELLOGG. He is authorized by our company to do it.

The CHAIRMAN. And he is authorized by the other companies to do it?

Mr. KELLOGG. Yes; he is authorized to publish such rates as we tell him to publish.

The CHAIRMAN. I say, the other companies of the conference?

Mr. KELLOGG. Yes.

The CHAIRMAN. The rates in this joint tariff are lived up to by the several companies parties to the tariff, are they not?

Mr. KELLOGG. While they are effective.

The CHAIRMAN. Of course, while they are effective; and they are in effect now?

Mr. KELLOGG. Yes; they are in effect now.

The CHAIRMAN. I believe you operate from Baltimore to Colon. What line is that?

Mr. KELLOGG. That is the Munson Line.

The CHAIRMAN. How do the rates of that line from Baltimore to Colon compare with the rates from New York to Colon?

Mr. KELLOGG. Well, they are much under the New York rates.

The CHAIRMAN. Well, could you give us a fair percentage of how much?

Mr. KELLOGG. No; I can not, for this reason, that we went into this business solely on account of the building of the Panama Canal; for instance, the McLanhan-Marshall Construction Co. took the contract of shipping 66,000 tons of material to Colon. We made a rate with them for handling that 66,000 tons. A tariff on that commodity

would say certain rates on certain pieces of structural iron, under certain weights, so much per hundred pounds, and as the scale weight went up, the scale rate would go up. We took simply an average basis of rate and named it to them per ton, based upon what we thought we could handle it for, and make a legitimate profit. Our steamship line is operated with such things as that—large contracts of 10,000 tons up, or even smaller.

The CHAIRMAN. Mostly, if not entirely, contract freight from Baltimore to Colon?

Mr. KELLOGG. That is right.

The CHAIRMAN. And material used in the construction of the canal?

Mr. KELLOGG. Yes.

The CHAIRMAN. What other lines are operating from Baltimore to Colon?

Mr. KELLOGG. There is no other line from Baltimore to Colon.

The CHAIRMAN. What companies operate from New York to Colon?

Mr. KELLOGG. The United Fruit Co., the Royal Mail Steam Packet Co., the Panama Railroad Co., and the Hamburg-American, Atlas Service.

The CHAIRMAN. You may state whether or not there is any agreement between your line and the other lines, or any of the other lines mentioned, as regards either the freight or passenger traffic to or from the United States and Colon?

Mr. KELLOGG. We have no passenger traffic to Colon, and we do not confer with them about any of our contract freights.

The CHAIRMAN. How about your noncontract freights?

Mr. KELLOGG. If we were to have a steamer in New York, as we had at the time we had a strike at Baltimore, we divert our steamers to New York and divert the cargo to New York. At that time we were asked as to whether or not we were cutting rates on the Colon freight, and we were willing to refrain from that.

The CHAIRMAN. You act in conference with the other lines, in fixing those rates, do you not?

Mr. KELLOGG. We do not; we have nothing to say about the rates.

The CHAIRMAN. You have the same rates on noncontract freight from Baltimore to Colon as are in existence from New York to Colon, have you not?

Mr. KELLOGG. No; we do not publish a rate at all.

The CHAIRMAN. I do not care whether you publish the rate or not; you have the same rate, have you not?

Mr. KELLOGG. No; we do not, because we name the rate according to the circumstances, according to the business that comes up from time to time.

The CHAIRMAN. I am not speaking about the contract rate; I am speaking about general cargo.

Mr. KELLOGG. We have not developed any general cargo, because practically there has developed a line carrying these big contracts, and we are loaded up. Every time we go out we leave back 600 or 1,000 tons of freight.

The CHAIRMAN. Would you call that a tramp service or a line service?

Mr. KELLOGG. We would call it a line service, because we endeavor to make monthly sailings, but we could hardly be a factor in the general-cargo business for the reason this class of freight we handle is extremely awkward; a heavy steamer might be there three weeks loading and might be there two weeks, and steamers out of New York are of an entirely different class; we could not compare with them, could not begin to be in the same class with them. We handle freight which I presume they would not care to handle; at the same time we make contracts in competition with tramp steamers, as wherever there is a full cargo a tramp steamer would be likely to go on.

The CHAIRMAN. Do you carry any freight for points beyond Colon?

Mr. KELLOGG. We do not.

The CHAIRMAN. Has the Munson Line any contracts with railroads?

Mr. KELLOGG. Nothing, except contracts from the port of Mobile, which I believe you have copies of.

The CHAIRMAN. The contract is between the Southern Railway Co. and the Munson Steamship Line, the Louisville & Nashville and the Mobile & Ohio, and contains a clause like this, does it not?

That, so far as it lawfully may, or unless compelled by legislative enactment, order of the commission, or judicial decree to do otherwise, the railway company agrees, on all business through the port of Mobile, to work preferentially with the steamship line in all matters of water transportation to the territories outlined in paragraph 1, unless the steamship line has no regular service and does not care for the spasmodic cargoes that may develop from time to time, in which case the railway company has the privilege of working with other water carriers until such time as the steamship line elects to provide for the requisite tonnage or service. The railway company earnestly desiring to stimulate and increase traffic via Mobile, in connection with the steamship line, will use every reasonable effort to aid and expand that traffic from the territory served by its lines. The steamship line agrees to do all in its power to stimulate and increase the traffic over the railway company's lines, and not to put on a steamship service from other Gulf ports without at least 35 days' written notice to the Southern Railway Co. aforesaid of the proposed steamship service, together with the character and extent thereof.

Now, under the operation of that contract between your company and the railroad company there is no chance for any other company to come in there and get any part of that freight, originating with either one of these railroads, is there?

Mr. KELLOGG. I am not personally acquainted with the contract; I have never read the contract; but I understand the contract has been changed to comply with the interstate-commerce law.

The CHAIRMAN. Yes; I read you the modified contract; that is, the provision in the modified contract. As it originally read it was as follows:

That unless compelled by legislative enactments or judicial decree to do otherwise the railway company agrees, on all business through the port of Mobile, to work exclusively with the steamship line in all matters of water transportation to the territories outlined in paragraph 1, unless the steamship line has no regular service and does not care for the spasmodic cargoes that may develop from time to time, in which case the railway company has the privilege of working with other water carriers until such time as the steamship line elects to provide for the requisite tonnage or service. The railway company earnestly desiring to stimulate and increase traffic via Mobile in connection with the steamship line will use every reasonable effort to aid and

expand that traffic from the territory served by its lines. The steamship line agrees to do all in its power to stimulate and increase the traffic over the railway company's lines and not put on a steamship service from other Gulf ports without the written consent of the railway company.

That modified it somewhat. Is there anything else any other member of the committee cares to ask? Have you any further statement to make, Mr. Kellogg?

Mr. KELLOGG. No; I think not. I think I refuted Mr. Storey's statement, of the South American Line, that did not maintain a fighting ship, and are establishing a line there to develop the business.

Mr. HARDY. You made one very interesting statement to me to the effect that if you could charter American ships as cheaply as you could the foreign ships you would charter them altogether and carry your freight under our flag.

Mr. KELLOGG. Yes, sir; quite naturally. There is one trouble in legislation. A company, such as ours, is likely to be classified as foreign because we operate the foreign ships, but we only operate the foreign ships as a necessity.

Mr. HARDY. Can you give us any idea as to how many foreign ships are operated like you operate yours, by American capital in this country?

Mr. KELLOGG. I should say at least double the number, if not more. That is only a rough estimate.

Mr. HARDY. Do you mean double the number that you operate?

Mr. KELLOGG. Double the number that we operate; yes, sir; if not more.

Mr. HARDY. Do you not suppose there are a great many more taking all the companies together?

Mr. KELLOGG. Possibly there are. You know this business is so large that you have all you can do to attend to your own end of it; it is impossible to keep track of all unless you make a study of it.

Mr. HARDY. What would be the tonnage of the hundred vessels you operate on charter?

Mr. KELLOGG. They run in dead weight anywhere from 2,000 tons up to 7,000 tons. I should say a fair average would be somewhere around 4,000 tons per steamer—perhaps 4,500 tons carrying capacity.

Mr. HARDY. I believe you said you operated about 100 vessels, which you let go into the tramp trade. Is that the total amount of your vessels?

Mr. KELLOGG. About 100 vessels; yes, sir.

Mr. HARDY. Do you have any passenger business?

Mr. KELLOGG. We have a passenger line in the River Cubana: we operate two passenger ships to the east end of the island of Cuba, but their capacity is very limited and they are rather obsolete ships; they are not up-to-date passenger ships.

Mr. POST. What kind of crews operate your vessels?

Mr. KELLOGG. You see, we do not own the steamers ourselves.

Mr. POST. I understand that, but you are familiar with the crews. What kind of crews have you?

Mr. KELLOGG. The crews are those put on by the owners. Their captains and mates, probably down to the third mate, are generally booked with the ship at their home ports.

Mr. POST. Are they Americans or foreigners?

Mr. KELLOGG. They are foreigners, generally the nationality that goes with the ship, and the crew is shipped by these agencies in New York as the ships come into the port. Sometimes a crew will reship by the same steamer right straight along—get paid off when they come to port, then reship on the same steamer.

Mr. HARDY. How do your freight rates from New York to Cuba compare with freight rates from Liverpool to Cuba?

Mr. KELLOGG. I should say our freights were about the same, taking into consideration that we land all our goods in Cuba and pay the expenses of the lighterages, and in some cases the wharfage, and in some cases the loading on cars. The custom from Europe is that the freight shall be delivered in the harbor, cross ship, the lighterage being for account of consignees.

Mr. HARDY. But, put together, your rates are about the same, are they not?

Mr. KELLOGG. Put together, I should say about the same. The method of making rates from Europe is a little different from our method.

Mr. HARDY. That does not matter if the effect is the same.

Mr. KELLOGG. When you come to look at rates and the tariff, you have to sit down and figure them out.

Mr. HARDY. You include this lighterage and delivering?

Mr. KELLOGG. Yes; but I refer also to the fact that their rates are made per dead weight or measurement ships option, while ours are under commodity rate, so much per 100 pounds.

The CHAIRMAN. If there are no further questions, we will take a recess until to-morrow morning at 10.30 o'clock.

Thereupon, at 4 o'clock p. m., the committee adjourned. to meet again at 10.30 o'clock to-morrow, Saturday, January 25, 1913.

SATURDAY, JANUARY 25, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Post, Wilson, Greene, and Stephens.

The CHAIRMAN. The committee will come to order. Mr. Harrison, you will be sworn.

TESTIMONY OF MR. HUGH H. HARRISON, PRESIDENT OF THE INSULAR LINE, 60 BROADWAY, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. In what business are you engaged?

Mr. HARRISON. I am a banker.

The CHAIRMAN. What is your relation to the Insular Line, which runs from New York to Porto Rico?

Mr. HARRISON. I am the president.

The CHAIRMAN. Is that a corporation?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Incorporated under the laws of what State?

Mr. HARRISON. I shall have to ask our attorney. New York, is it not?

Mr. CURTIS. Maine.

Mr. HARRISON. Maine.

The CHAIRMAN. What is the capital stock?

Mr. HARRISON. \$100,000.

The CHAIRMAN. How many ships do you own?

Mr. HARRISON. None.

The CHAIRMAN. Who are the officers of the corporation?

Mr. HARRISON. H. H. Harrison, president; Joseph D. Phillips is vice president and secretary; and Robert W. McNeil is the treasurer.

The CHAIRMAN. Who are the directors?

Mr. HARRISON. The same three gentlemen?

The CHAIRMAN. Where do you have your offices?

Mr. HARRISON. At 116 Broad Street, the office of the company.

The CHAIRMAN. Is it incorporated as the Insular Line?

Mr. HARRISON. The Insular Line.

The CHAIRMAN. How long has it been in business?

Mr. HARRISON. I can not tell you that.

The CHAIRMAN. Why not?

Mr. HARRISON. I never thought to look it up. I was elected a director and president on August 23, 1909.

The CHAIRMAN. It was a going concern at that time, was it?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. In what trade or trades?

Mr. HARRISON. Running chartered ships between New York and Porto Rico.

The CHAIRMAN. Any other points?

Mr. HARRISON. I believe the ships were used to other points at times when they were not in the Porto Rico trade.

The CHAIRMAN. With what other transportation companies are you affiliated?

Mr. HARRISON. I am the vice president of the Ann Arbor Railroad, in the State of Michigan.

The CHAIRMAN. Any others?

Mr. HARRISON. Not active transportation companies; no.

The CHAIRMAN. Are you a member of any firm or corporation or interested in any way financially in any other water line than the Insular Line?

Mr. HARRISON. The Ann Arbor Railroad has car ferries, but it is in no sense a water transportation line.

The CHAIRMAN. I am speaking about the Atlantic trade.

Mr. HARRISON. No, sir.

The CHAIRMAN. So that you have no affiliations whatever with any other water transportation company on the Atlantic or the Gulf coasts than the Insular Line?

Mr. HARRISON. No, sir.

The CHAIRMAN. Who is the active manager of the Insular Line?

Mr. HARRISON. Joseph D. Phillips.

The CHAIRMAN. Is he here?

Mr. HARRISON. No, sir.

The CHAIRMAN. What is his office? Do you call him general agent?

Mr. HARRISON. The agents for the company are W. E. Peck & Co. The CHAIRMAN. What other companies are they agents for?

Mr. HARRISON. That I could not tell you. They are agents for many steamship lines, I believe.

The CHAIRMAN. Have they official interest in your line?

Mr. HARRISON. Not that I know of.

The CHAIRMAN. I believe you say the capital stock of your company is \$100,000?

Mr. HARRISON. Yes. Mr. Chairman, I think I can save you time by telling you that the capital stock of the Insular Line is owned by the Corporate Organization & Audit Co.

The CHAIRMAN. Just explain how that happens, what kind of a concern that is, and what its business is.

Mr. HARRISON. I can not answer that fully. Mr. Curtis, who is connected with the Corporate Organization & Audit Co., is an old friend of mine, and in 1909 he asked me to become the president of the Insular Line to accommodate him, and on August 23, 1909, I was elected a director and the president of that line. I have nothing to do with the active management of the line itself.

The CHAIRMAN. What financial interest have you in it?

Mr. HARRISON. I have none.

The CHAIRMAN. None at all?

Mr. HARRISON. None at all.

The CHAIRMAN. You do not own any stock?

Mr. HARRISON. I do not own any stock.

The CHAIRMAN. Who does own the stock?

Mr. HARRISON. The Corporate Organization & Audit Co. owns all the stock.

The CHAIRMAN. Is it a corporation?

Mr. HARRISON. It is a corporation.

The CHAIRMAN. Organized under the laws of the State of New York?

Mr. HARRISON. Organized under the laws of New York.

The CHAIRMAN. What is the capital stock?

Mr. HARRISON. That I can not tell you.

The CHAIRMAN. Who are its officers?

Mr. HARRISON. I do not know that.

The CHAIRMAN. But, as you understand it, that organization owns the capital stock of the Insular Line?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. You named others than yourself who are officers in the Insular Line.

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Are they like yourself—purely honorary officers?

Mr. HARRISON. They must be. All the stock is owned by the audit company. They are employees of the company. Mr. Phillips is an employee of Peck & Co. and looks after the business of the Insular Line.

The CHAIRMAN. You say Phillips is an employee of Peck & Co.?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Just a clerk in the office?

Mr. HARRISON. I do not know what title he has there. He is an employee and looks after the business of the Insular Line.

Mr. POST. What is his address?

Mr. HARRISON. 116 Broad Street, New York.

The CHAIRMAN. You say that you have no financial interest in the Insular Line?

Mr. HARRISON. Not a dollar.

The CHAIRMAN. You do not draw any salary from it?

Mr. HARRISON. I draw a nominal salary; yes.

The CHAIRMAN. Phillips is the secretary and treasurer, is he?

Mr. HARRISON. He is the vice president and secretary.

The CHAIRMAN. And he is an employee of W. E. Peck & Co. Who is the third man in the organization?

Mr. HARRISON. Robert W. McNeil, the treasurer. He is also an employee of Peck & Co.

The CHAIRMAN. Does he serve in that capacity at a nominal salary? Do you know what his salary is?

Mr. HARRISON. I do not know the compensation arranged for Mr. McNeil. I have nothing to do with the active management of the company, and I know nothing about the compensations paid to the men or how they are paid.

The CHAIRMAN. Do you ever have any meetings of the board of directors?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Do you issue any financial statements?

Mr. HARRISON. Yes; the treasurer prepares a financial statement once a year.

The CHAIRMAN. Does that show the amount that is paid out in salaries to the officers?

Mr. HARRISON. It shows the amount of money paid out in the form of salaries. I have never looked at it. I have never been interested enough in that side to know just what each man gets.

The CHAIRMAN. As an officer in the corporation you do not regard it as your duty to do so?

Mr. HARRISON. I am not an active officer in the management.

The CHAIRMAN. You are a responsible officer from a legal standpoint, are you not?

Mr. HARRISON. Not of necessity in fixing salaries; no, sir.

The CHAIRMAN. What is your duty, anyhow, as president?

Mr. HARRISON. The usual duties of a president who is not active in the management—to preside at the meetings, consult with the officers regarding financial policy or corporate action. All this information, Mr. Chairman, can be had from Mr. Phillips, the information that you want. I mean the detailed information of all these salaries. He is actively in charge of this work. I do not pretend to be.

The CHAIRMAN. It seems that Peck & Co. are the active managers.

Mr. HARRISON. They are the agents for the line.

The CHAIRMAN. At the same time they are not financially interested in it, as I understand.

Mr. HARRISON. No; they are not, as I understand. All the stock is owned by the Corporate Organization & Audit Co.

The CHAIRMAN. And, as I understood you, you do not know anything about that audit company?

Mr. HARRISON. I can not give you the details of it. I know about it, but I do not know who owns the stock, or the officers of it. I know that the company has been incorporated for some time, but it

has been the business, I can tell you very frankly, of Mr. F. Kingsbury Curtis.

The CHAIRMAN. What is the relation of Mr. F. Kingsbury Curtis to the Insular Line and the Corporate Organization & Audit Co.?

Mr. HARRISON. I understand that Mr. Curtis is a stockholder in the Corporate Organization & Audit Co.

The CHAIRMAN. And what is his relation to the Insular Co.?

Mr. HARRISON. He has none except through his ownership of stock in the Corporate Organization & Audit Co. That is, no official connection.

The CHAIRMAN. Give the committee some idea why this company was organized, and the stock held by the audit company, and the business of the concern done by W. E. Peck & Co. That is an unusual way of transacting business. Is there some reason for it?

Mr. HARRISON. Peck & Co. were the agents, because that was the cheapest way, as I understood it, to conduct the business, rather than have an organization simply to solicit business for so small a company and is frequently done by steamship companies to avoid the expense of those officers. They pay Peck & Co. a commission for doing their business. That was a matter of economy. The holding of the stock of the Insular Line by the audit company was because the men who are putting up the money prefer to have it held that way.

Mr. HARDY. Putting up the money for what?

Mr. HARRISON. For the Insular Line.

The CHAIRMAN. You do not know who are the people interested in the audit company?

Mr. HARRISON. No; Mr. Curtis is here and can answer those questions absolutely, and Mr. Phillips will give you all the information regarding the active management of the line. Anything that I would give you would be hearsay.

Mr. HARDY. You do not know how much the stock of the audit company is?

Mr. HARRISON. No; I do not.

The CHAIRMAN. Nor by whom held?

Mr. HARRISON. I only know that Mr. Curtis is a stockholder in the audit company.

Mr. POST. For what purpose was the Insular Line incorporated?

Mr. HARRISON. To do a steamship business.

Mr. POST. Why did not the Corporate Organization & Audit Co., who own all the stock, do the business?

Mr. HARRISON. The Corporate Organization & Audit have other business than simply owning the stock in the steamship company. They have other interests than that, as I understand it.

The CHAIRMAN. Do you know or have you any information or belief from which you may state what stock of steamship companies other than the Insular Line is held by the audit company?

Mr. HARRISON. I am not an officer of the audit company, and I could not give you that information.

The CHAIRMAN. Do you know that they do?

Mr. HARRISON. I do not know that they do, and I do not know that they do not.

The CHAIRMAN. Do you know anything about the tariffs or rates of the Insular Line?

Mr. HARRISON. Of my own personal knowledge, I do not.

The CHAIRMAN. Do you know of the relations between that company and the New York & Porto Rico Steamship Co.?

Mr. HARRISON. I never heard that it had any relations; I do not believe it has any relations.

The CHAIRMAN. Do you know whether it has or not?

Mr. HARRISON. I say I do not.

The CHAIRMAN. You know they are both engaged in the same business?

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Do you know that they both have the same tariffs from New York to Porto Rico, and have had for years until Mr. Bull came into the trade?

Mr. HARRISON. I can not state that of my own knowledge; I never examined the tariffs.

The CHAIRMAN. As I understand you, you do not know anything more about the business from a practical standpoint?

Mr. HARRISON. Absolutely; I have had nothing to do with the actual management of that business.

Mr. HARDY. I want to ask you a question or two. Is it a fact that this roundabout way of organization is in reality intended in order to avoid liability? If an accident were to happen to any of the ships of this Insular Line, the only responsibility would be the capital stock of the Insular Line, would it not?

Mr. HARRISON. Well, the admiralty law is so complicated I could not answer that. I can only say that I am sure the company was not organized or the stock held in this way for the purpose of avoiding any liability.

Mr. HARDY. Does it not seem to you that if the corporate—

Mr. HARRISON. Organization & Audit Co.

Mr. HARDY (continuing). Organization & Audit Co. owned all of this stock that they could devise a cheaper method of managing it than to have a corporation and officers of the corporation, who were mere dummies, sitting up there doing nothing and knowing nothing about the affairs of the concern? It is true the salary, you say, is nominal, but is not there a cheaper way for the owner of a property to manage it than the organization of a subcorporation? You have this audit corporation, and your Insular Line—

Mr. HARRISON. I see what you mean. I do not—

Mr. HARDY. That is under the audit company; the audit company has an agent; that agent has an employee that runs the subordinate company?

Mr. HARRISON. Yes.

Mr. HARDY. What is the use of that roundabout method instead of a direct organization and ownership?

Mr. HARRISON. I think it is more economical for a small line—a small property.

Mr. HARDY. But it is not a small property; this audit company owns it, does it not, and owns a great many other things besides?

Mr. HARRISON. I do not know how much they own besides.

Mr. HARDY. The Insular Line is just a name; it is all owned by the audit company?

Mr. HARRISON. The stock is all owned by it; yes, sir.

Mr. HARDY. Then, the property is the property of the audit company, and this other company is just an intermediary, a name?

Mr. HARRISON. Well, it is.

Mr. HARDY. What is the purpose of having a lot of men like yourself drawing nominal pay and not concerned with the welfare of the company except as large a feeling of sympathy as your friendship might dictate? What is the purpose of having your position in that company?

Mr. HARRISON. Why—why am I in the company?

Mr. HARDY. Yes.

Mr. HARRISON. At the request of Mr. Curtis.

Mr. HARDY. For what purpose?

Mr. HARRISON. To act as the president of that company.

Mr. HARDY. What did he want you there for?

Mr. HARRISON. You will have to ask him why. I can not answer that.

Mr. HARDY. Men do not get other men to do something without letting them know what their purpose is.

Mr. HARRISON. Yes; Mr. Curtis has been my attorney for many years; we have been associated together in many other enterprises—

Mr. HARDY. He had a purpose in putting you in as president of that company, did he not?

Mr. HARRISON. Let me finish—and we have been directors—he is a director and counsel for the Ann Harbor Railroad Co. We were directors in a large corporation in St. Louis together; we are associated constantly in different things, and he came and asked me if I would act as the president of this company for him, if he wanted it in the form of an organization. It required a president—not caring to do the work himself. He had to have somebody, and having great confidence in Mr. Curtis and knowing that the company would be operated honestly and correctly, I had no hesitancy in accepting the presidency of it. Until last year I acted entirely without compensation. I did not care for compensation at this time, except that he insisted that I should receive a nominal salary.

Mr. HARDY. And still you do not know why you were wanted?

Mr. HARRISON. Why, no more than you might ask a friend of yours to act as an officer of a company that you were organizing.

Mr. HARDY. It looks to me as if you had no duties to perform—just sort of asking you to hold his hat.

Mr. HARRISON. Not at all. You have to have a president for a company. Somebody has to be—

Mr. HARDY. What need of a company with a president?

Mr. HARRISON. Ask Mr. Curtis here. He wanted to organize it as a company.

Mr. HARDY. You become the head of it without knowing anything about why you are the head of it. You tell me to ask somebody else.

Mr. HARRISON. No, sir; I told you why I was the head, because I was asked.

Mr. HARDY. All you know was he wanted you at the head?

Mr. HARRISON. I can not tell you that.

Mr. HARDY. Do you mean to say that he did not tell you anything about his purposes, methods, and intentions of having you there, except to ask you to act as president of the company for him?

Mr. HARRISON. I certainly do mean to tell you that. I knew that the company was running; I knew that it had a business—imagined that it had a profitable business.

Mr. HARDY. But you did not know anything about it?

Mr. HARRISON. I understand lately that it has not been so profitable.

Mr. HARDY. You understand in a vague way, however.

Mr. HARRISON. Yes, sir.

Mr. STEPHENS. You are drawing a salary?

Mr. HARRISON. Why, certainly; I am drawing a nominal salary because Mr. Curtis wanted me to, not because I wanted to do it.

Mr. STEPHENS. Mr. Harrison, you say you are a banker?

Mr. HARRISON. Yes, sir.

Mr. STEPHENS. Where?

Mr. HARRISON. 60 Broadway, New York.

Mr. STEPHENS. What bank are you connected with?

Mr. HARRISON. A private institution, Battles & Co., and I am one of the partners.

Mr. STEPHENS. Do you occupy any official position—is it a corporation?

Mr. HARRISON. No; it is a partnership. We are private bankers and dealers in securities.

Mr. STEPHENS. Why do you think that you were asked to accept a nominal salary at a time when the company was probably losing money?

Mr. HARRISON. I suppose it was because Mr. Curtis did not want me to feel that I was doing some little work for nothing; that was all. He did not want me to feel under too much obligation, taking up my time for nothing.

Mr. STEPHENS. They were losing some money and they desired to lose more?

Mr. HARRISON. I presume so. Frequently you lose money and pay salaries.

Mr. STEPHENS. What do you call a nominal salary, Mr. Harrison?

Mr. HARRISON. Why, I imagine it is—at least—just exactly, I have forgotten—perhaps \$20 a month, or something of the kind.

Mr. STEPHENS. Have you ever given any attention whatever to the business?

Mr. HARRISON. Not to the operation; not at all.

Mr. STEPHENS. Do you meet as one of the directors?

Mr. HARRISON. I do.

Mr. STEPHENS. How many meetings have you attended, approximately?

Mr. HARRISON. Oh, I think we have had two or three, maybe four meetings a year, when it is necessary to take some corporate action.

Mr. STEPHENS. Do you discuss seriously or minutely the affairs of the company?

Mr. HARRISON. Not the operation; no, sir.

Mr. STEPHENS. It is really a formal meeting?

Mr. HARRISON. A formal meeting; yes, sir.

Mr. STEPHENS. For the consideration of formal matters only?

Mr. HARRISON. And specific things that have to be acted on corporately.

Mr. HARDY. Something that has to have an official signature?

Mr. HARRISON. Yes; like the authorizing of a bond—executing of a bond to the Government, things of that kind.

Mr. STEPHENS. You own no stock in the company?

Mr. HARRISON. No, sir.

Mr. STEPHENS. Do you know whether or not the stock of the Corporate Organization & Audit Co. was sold on the market?

Mr. HARRISON. No; I think not. I think that has always been a closely held corporation, so I have been told.

Mr. STEPHENS. Do you think the securing of your name as president was for the purpose of selling some stock?

Mr. HARRISON. No, sir; I do not think any stock could be purchased of that company, but as Mr. Curtis is a stockholder in that company and organized it, he can tell you where that stock is and anything about it. I do not think he will want to say who the owners are, but I think he will if you insist on it.

Mr. STEPHENS. Then you know nothing about the company, really, but are just acting as its president at the request of Mr. Curtis?

Mr. HARRISON. Absolutely.

Mr. HARDY. Is there any financial connection between the Ann Harbor Railroad Co. and the Insular Line?

Mr. HARRISON. No, sir; not the slightest.

Mr. HARDY. Does that belong to the Corporate Organization & Audit Co.?

Mr. HARRISON. No, sir; I unfortunately am among the large stockholders in that.

Mr. HARDY. Does the Corporate Organization & Audit Co. own any other steamship lines?

Mr. HARRISON. Not that I know of. I will not say that they do not, but I will not say that they do, because I am not in that company.

Mr. HARDY. Do they own any other transportation lines?

Mr. HARRISON. Not that I know of.

Mr. HARDY. The fact is that as an officer of the Insular Line you do whatever the Corporate Organization & Audit Co. direct?

Mr. HARRISON. Well, I have never known them to direct anything.

Mr. HARDY. When you sign something it is under their order, is it not?

Mr. HARRISON. It would not be from their order.

Mr. HARDY. For instance, giving the official stamp to some action of the Insular Co.?

Mr. HARRISON. Yes.

Mr. HARDY. But you do that under advice and direction?

Mr. HARRISON. Under advice of counsel.

Mr. HARDY. And by the direction of the manager, I suppose?

Mr. HARRISON. Yes.

Mr. HARDY. If a dividend is declared the manager sets out what it is and you sign the documents?

Mr. HARRISON. I never remember a dividend having been declared, but that you would also have to get from the books; I do not remember.

Mr. HARDY. Either for losses or profits?

Mr. HARRISON. The company has made profits, as I understand, and has made some losses.

Mr. HARDY. You do something with reference to that? [No response.]

Mr. WILSON. What becomes of the profits if they are not declared as dividends?

Mr. HARRISON. I think they have been accumulated for the company's corporate purposes. I think there may have been some dividends declared, but no regular dividends have been declared.

Mr. HARDY. Then you have had no occasion to set aside these profits as a surplus or anything of that sort?

Mr. HARRISON. You would not have to have action for that; all you would have to do would be to keep it.

Mr. HARDY. Just let it go. It is on rare occasions when any action is necessary?

Mr. HARRISON. Very.

Mr. HARDY. But when you do act, it is under the direction of the manager of the company, is it?

Mr. HARRISON. Yes, sir; I prefer to have you put it that way.

Mr. HARDY. I suppose, of course, if they propose to do something unconscionable, you might have the capacity to kick, but you have never had any such occasion?

Mr. HARRISON. I have never had the slightest occasion for that. As I explained, Mr. Curtis asked me to act, and I had no fear of anything improper being done. Mr. Curtis has been an intimate friend and my counsel for years. I have never known of there being any illegal action.

Mr. HARDY. You are simply acting as a friend of Mr. Curtis?

Mr. HARRISON. Absolutely.

Mr. HARDY. You are a friend of his and supposed to be all right?

Mr. HARRISON. I have some intelligence. I am not going to do anything that is illegal or improper.

The CHAIRMAN. Has your banking firm any relations with the Atlantic, Gulf & West Indies Steamship Co.?

Mr. HARRISON. No, sir.

The CHAIRMAN. Or with the New York & Porto Rico Steamship Co.?

Mr. HARRISON. No, sir; and never has had as a firm.

The CHAIRMAN. Or any other water line on the Atlantic or Gulf coast?

Mr. HARRISON. No; it never had; I was trying to think if we ever sold any securities, but we never have.

The CHAIRMAN. That is all.

TESTIMONY OF MR. F. KINGSBURY CURTIS, 30 BROAD STREET, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Curtis, what is your connection with the Insular Line?

Mr. CURTIS. My connection is, officially, that I sometimes act as its attorney. My connection is that the Corporate Organization and Audit Co. is practically controlled and owned by me personally.

The CHAIRMAN. Just give us—

Mr. CURTIS. I think I can give the committee pretty nearly everything that they want. I will tell you about the organization of the company.

The CHAIRMAN. Very well.

Mr. CURTIS. The Insular Line is what they call a "general agency line"; that is, it makes a contract for a percentage to operate its business. It pays W. E. Peck & Co. 2½ per cent on the gross receipts

to operate the line. It is a very common arrangement for a line that is not large and strong. It is a very advantageous arrangement. When it started in business, if you remember Mr. Bull's testimony, his firm were acting as general agents for the New York & Porto Rico Steamship Co. and managed its affairs. It is a very common arrangement with steamship companies not to attempt to manage their own business. It is a technical business, and the people who invest their money in it can rarely manage it successfully.

Mr. Phillips has had charge of the general details of the Insular Line business in the office of W. E. Peck & Co. I believe he signs as manager of the steamship department, and that arrangement has proved very economical for the Insular Line. I do not think, if you take the management expenses of any steamship company, you will find one that costs down to 2½ per cent. I know some that pay as high as 5 per cent for the same services. The line does not operate any boats; they charter the boats, as the expression is, "manned and victualled"; in other words, the line owns no boats, nor does it operate any boats. Therefore its operations are practically traffic operations, simply the getting of freight. The owner of the ship owns the tackle and handles the cargo from the moment it leaves the pier to go to the ship. The only thing that the line does is to hire a pier in New York—a Brooklyn pier—and on that pier it receives cargo. The cargo is then put into the steamship, and the steamship goes to sea and the ordinary maritime law applies. The ship and the shipowner are entirely responsible for the cargo and for any accidents or other losses to the cargo. The Insular Line simply hires transportation and sells it at a profit; that is, if it can, otherwise it operates at a loss.

That is why Mr. Harrison knows so little about the operation of the Insular Line. If you want to get the details of the operation of the Insular Line you would have to call Mr. Luckenbach and ask him about his boats; call the owners of the S. S. Fordney and ask about their boats, and so on with all the boats that are chartered from time to time by the Insular Line. Now, on the traffic details, Mr. Phillips has had charge of all that.

Mr. HARDY. Do you say you charter boats?

Mr. CURTIS. We own no boats at all; we hire all the boats.

Mr. HARDY. I thought you had drawn a distinction between chartering boats and selling transportation?

Mr. CURTIS. When we charter a boat, of course what we get is transportation. We take it manned and victualled, what is called the Government form of time charter, and the boat simply comes alongside the wharf and receives our cargo and we pay them so much a month for transportation.

Mr. HARDY. But you fix the rate of transportation, do you not?

Mr. CURTIS. That is fixed, the rate per month; then we, in turn, come between the owner of the boat and the public and we buy the transportation wholesale; that is, by the boat. We parcel it out to the shippers at so much a barrel.

Mr. HARDY. You fix the rates to the shippers?

Mr. CURTIS. The owner of the boat fixes the rate per month for us. How, as a matter of fact, most of the boats are chartered, I think the report to the committee shows.

The CHAIRMAN. You will have to suspend. We have to go over in answer to a roll call.

Mr. CURTIS. I am very glad to give the committee all the information I can. It may seem very peculiar to one not conversant with the business, but one not knowing the business can not answer in regard to these matters.

The committee thereupon adjourned until 1.30 p. m.

AFTER RECESS.

The committee reconvened, pursuant to the taking of recess.

The CHAIRMAN. I believe you said to me, Mr. Curtis, that you would like to make a preliminary statement?

Mr. CURTIS. I wrote down one or two things here, but Mr. Harrison's peculiar attitude as to shipping led me off from that to explain why the corporation did not operate its own boats. Now that he is not here, I should like to say why he was selected as president. While the steamship business was transacted by the general agents, there was a certain amount of corporate business requiring the acts of the corporation in its corporate capacity, which required the existence of a corporation, such as the signing of Government customs bonds, and everything of that sort, so that we had to have officers of the corporation who were called upon for those services. In addition to that, while the general agents transacted the business of the company, the officers of the corporations could have bound the company, and it was important that they should be men of standing and in whom I had absolute confidence as to their responsibility. Mr. Harrison had been identified with Porto Rico. He was, I think, instrumental in putting in the first tramways down there, and had become very much interested in the island. In fact, his father and mother were down there and lived there until the death of his father, and he was very well known; very highly thought of in Porto Rico. And, in addition to that, he is a man of the highest integrity, and I knew that my interests were perfectly safe in his hands.

I do not care to see attorneys figuring as officers of corporations, and especially I did not care to act myself for that reason, so Mr. Harrison became the president of the company at my request, and has been such ever since, but the active management has remained always in the hands of Peck & Co. I think some members of this committee may have thought Mr. Harrison was shirking his duties toward passengers or patrons of the line, but, of course, we have absolutely no control over those steamers; no jurisdiction; we can not give an order to the captains, or to anybody else; they are all supplied and are under the control of the steamship owners, who supply the boats to us, so he has no responsibility of any kind toward passengers or toward cargo, or jurisdiction over them in any way.

Mr. HARDY. Your charter contracts call for efficient manning of the vessels, do they not?

Mr. CURTIS. Yes.

Mr. HARDY. Then, is it not your duty to see the charterers to you do comply with that part of your contract?

Mr. CURTIS. Mr. Philips takes extremely good care of that; he sees that they are efficient and well manned, and the passenger department is in his charge.

Mr. HARDY. If he had any complaints to make, though, he would not think about making them to Mr. Harrison?

Mr. CURTIS. He would not make them to the company. He would make them to the owners of the ships directly.

Mr. HARDY. Suppose he and the owners of the ships did not agree?

Mr. CURTIS. They would thrash it out together, just as Mr. Harrison would if he were the general manager of the company.

Mr. HARDY. But the company does not take any action in it at all?

Mr. CURTIS. The people running the ships are experienced people; Mr. Luckenbach's father was in the business before him and Mr. Dimon's grandfather built ships on the East River before any steamships were built, I guess.

Mr. HARDY. Practically, then, you agree to whatever the steamship owner does as to furnishing, equipping, and so forth?

Mr. CURTIS. Oh, no; on the contrary, there is a constant row between a charterer and the owner; they are fighting all the time over just those questions.

Mr. HARDY. But with that dispute the Insular Line officials have nothing to do?

Mr. CURTIS. Mr. Philips represents them in that entirely. He is the secretary of the line and is the general manager of the steamship department of W. E. Peck & Co.

Mr. HARDY. Secretary of the Insular Line?

Mr. CURTIS. Yes.

Mr. HARDY. By appointment of whom?

Mr. CURTIS. Election—the board of directors make the elections. That appears in the record. Mr. McNeil is the treasurer.

Mr. HARDY. What amount of actual money does the \$100,000 stock of the Insular Line actually represent?

Mr. CURTIS. The last statement I saw it had, I think, rather more than that on hand.

Mr. HARDY. What does it consist of?

Mr. CURTIS. Accounts receivable and cash in bank, and so on.

Mr. HARDY. It really belongs—

Mr. CURTIS (interposing). It has not as much cash in bank as it had before Mr. Bull went after it.

Mr. HARDY. What I want to get at is this, you have a company within a company?

Mr. CURTIS. You mean does that \$100,000 represent cash?

Mr. HARDY. Yes.

Mr. CURTIS. Oh, it has at times represented a very considerable surplus above \$100,000.

Mr. HARDY. Your other company that owns it, the audit company—

Mr. CURTIS (interposing). I will explain about that audit company. That is a small company in my office; it has the same office as I have and I usually put all securities that I am interested in in that company, then if I die or anything, it does not affect the companies that are involved. If they all stood in my name, I should die, and they depended on my credit, it might affect them very seriously.

Mr. HARDY. How many companies does the audit company own the stock of?

Mr. CURTIS. I do not think it owns stock of any except those I am interested in.

Mr. HARDY. Which are they?

Mr. CURTIS. The Insular Line; it owns all the capital stock of the Providence Engineering Works, but that is going to be put under a voting trust and divided up; and I use it in that way. It is simply what you might call an agency company.

Mr. HARDY. Can you explain the reason for having a double organization for this Insular Line?

Mr. CURTIS. There is none. The Corporate Organization & Audit Co. existed long before, and probably will exist long afterwards.

Mr. HARDY. Why did you organize one company and sell its whole stock to another company that is also a corporation; why do they do that roundabout business? What is the purpose of it?

Mr. CURTIS. You have to do that. You have got to have two parties to a transaction. Somebody has to be the other party to a transaction. If you do not want to be it yourself you have to have somebody else. In the Providence Engineering Works you can see just how it works out. We attempted certain things, made an agreement with the reorganization committee of the United States Motors Co. I do not appear in that agreement. The Corporate Organization & Audit Co. offered to the reorganization committee of the United States Motors Co. and of its subcompanies that they would buy the securities of the Providence Engineering Works on certain terms and would do certain things, and when they were done that stock was all turned over to the Corporate Organization & Audit Co. Now, they in turn will distribute that stock and sell that stock, and when they get through they will have in that, I think, \$5,000 interest out of \$500,000 of securities. But a man, in his individual name, can not take those securities.

If I had done that and had died halfway through, where on earth would that thing have been? My executors would have had a year before any claim against my estate could be settled. They would have told the reorganization committee to come back at the end of a year and we will talk to you.

Mr. HARDY. That is a side issue.

Mr. CURTIS. I mean that is what the audit company is used for. Sometimes \$1,000,000 of securities that I am personally interested in might go through that company in a year.

Mr. HARDY. Have you the custom of organizing a corporation and taking all its securities and turning them over to some holding company? Is that the idea?

Mr. CURTIS. Or to individuals. It is practically myself incorporated, if you can imagine such a thing.

Mr. HARDY. So, then, this system gives you the ownership of the corporation?

Mr. CURTIS. Yes; and it can not die in the middle of a transaction.

The CHAIRMAN. That is a form of incorporation to accomplish the purpose you mention, is it not?

Mr. CURTIS. It is a \$5,000 company. It is simply an agent for me.

Mr. HARDY. That is, the holding company?

Mr. CURTIS. It is not really a holding company, not in your sense, because a holding company is supposed to distribute its securities and hold the other assets.

Mr. HARDY. This company of yours, having \$5,000 stock, owns the company that has \$100,000 stock, does it?

Mr. CURTIS. It does not actually, but it has indorsed the certificates in blank to me and they are in my safety-deposit box.

Mr. HARDY. But, in legal effect, they own the \$100,000 stock.

Mr. CURTIS. I have the certificates in my safety-deposit box and I own the certificates.

Mr. HARDY. Did you put up the whole of the \$100,000 to organize the Insular Line?

Mr. CURTIS. It was organized for \$15,000. I went out and borrowed that and put it up. You asked me a minute ago whether the \$100,000 actually existed now. It has more than earned—the reports will show that, I think—more than earned its capital stock, and I do not think it has ever paid any dividend, except maybe a small dividend of 6 per cent, or something like that.

Mr. HARDY. It was organized for \$15,000 and capitalized for \$100,000?

Mr. CURTIS. Yes; but the capital was not issued at that time. It was issued later.

Mr. HARDY. And taken over by a company with \$5,000 stock?

Mr. CURTIS. Yes.

Mr. HARDY. Of which you hold all the stock?

Mr. CURTIS. That is right.

Mr. HARDY. And when they bought the \$100,000 stock they indorsed it to you?

Mr. CURTIS. Yes; indorsed in blank, and it is in my safety-deposit box.

The CHAIRMAN. So you are the owner of the Insular Line?

Mr. CURTIS. Absolutely. The three shares that stand out in directors' names are indorsed in blank and are in the same bunch, or would be if I asked for them. I did not want to have this on the record that I owned the Insular Line; it is an unfortunate thing, but as long as you brought it out, it is all right, but Mr. Bull has been trying very long to have me tell him who owned the Insular Line. I told him I controlled it, and that was all he was entitled to know. This line started as a very small affair. Mr. Luckenbach had three old boats; he could not do much business with them anywhere, and he would run them intermittently to Porto Rico. I knew a good deal about Porto Rico; I know a good deal about the traffic of Porto Rico, and Mr. Luckenbach's boats really started the Insular Line by chartering those three old boats to the Insular Line. The first year they made a little money. The second year the Red D Line got after them and cut rates, not quite as badly as Mr. Bull, but there was quite a severe rate war; the Red D Line thought they could drive the Insular Line off; it was a weak line at the time. The Red D Line did not drive it off, and after a while the Insular Line put its rates back and the Red D Line thought they would like to do the same. Then for the next two or three years it did very well. The other lines were involved more or less in a reorganization; they were pretty busy looking after their own finances, and the Insular Line did pretty well.

Mr. Bull, as he has explained, was under some arrangement with the Porto Rico Line when he sold out his interest to stay out of busi-

ness for 10 years. I think he stayed out a little longer; then, as he tells you there were two reasons, apparently, why he thought it was good to go in. I think he puts in his testimony here that Mr. Mooney and the Porto Rico Line built boats and threatened his coastwise trade, and he told them if they did not agree to keep off his coastwise business—I mean by coastwise business his bulk-freight coastwise business—I was reading Mr. Bull's testimony. I think he states here that he told Mr. Mooney he would go on the Porto Rico route if they did not stop building ships suitable for the bulk business. He told me that he expected to drive the Insular Line off the route because it was a weak little line, and he had 10 boats and could run 8 of them on a profitable route and run 2 of them to Porto Rico until he "busted" the Insular Line. As I suggested to him, he has not succeeded in busting it, and he said I stated they had lost \$1,700,000, or something of that sort. I did not state any such figures, but there probably have been very heavy losses, as compared with what the traffic would have paid if it had all been carried at the full rates; but, of course, there have been no such losses in operating expenses as that.

Mr. HARDY. You mean they lost profits they did not make?

Mr. CURTIS. Yes; there has been a large loss of anticipated profits, but Mr. Bull has not yet succeeded in driving the Insular Line off the route. The Porto Rico Line stayed out of the fight for about six months, when they found their boats were going empty; then there was nothing to do but to cut the rates down to meet Mr. Bull. I think Mr. Bull gave the impression that the Insular Line had been very aggressive. It is a good deal like the wolf that complained of the aggressions of the lamb. He has 10 boats that he owns and he expected to break us up by using two of them against us and operating eight at a profit elsewhere. So far he has not succeeded in doing it.

The CHAIRMAN. He based his statement that the Insular Line seemed to be the aggressive line upon these exhibits that were placed in the record, which he gave, showing notices from day to day of dates when the Bull boats were in port that you would meet their rates.

Mr. CURTIS. We gave notice that we would meet their rates, and in some cases we would give 5 per cent lower than their rates. We have not as good boats as he has and there seems to be no limit to his cutting. He commenced cutting 20 per cent; pretty soon he cut 25 per cent, then 35, 40, 50, 60, and he finally came to 70 per cent. I do not know that he publishes tariffs or rates. I think it is a matter of private negotiation, therefore, with him. We can only judge by the bills of lading and what we learn from the shippers, but our circulars came out perfectly frankly; said we would meet any rate he named; if we did not our ships went empty. Mr. Mooney tried the other policy for six months. We thought it better to get right into the fight. The same thing took place in the Red D Line in the competition I spoke of. I should like you to see a circular of 1908. I mean nothing personal about Mr. Bull; and if anybody can devise any other way to handle a steamship rate war I should like to see it, but I think it is best to come out and tell all your shippers just what discounts and rates you will give.

The Insular Line was perfectly frank and our shippers knew just what their competitors were getting. There is a circular we gave out in 1908 which says the same thing—that we would meet any rate and discount 5 per cent below it.

The CHAIRMAN. You may read it.

Mr. CURTIS. It is as follows:

NOTICE.

NEW YORK, September 17, 1908.

Please note that commencing with our steamship *S. V. Luckenbach*, scheduled to sail from New York September 26, 1908, we will accept shipments for San Juan, P. R., by our line at the tariff rates of the Red D Line, and will allow the same discount as they allow from said tariff.

In addition to such discount we will allow a brokerage of 5 per cent on the amount of freight paid, said brokerage to appear on bill of lading and to be deducted from the net amount thereof.

These rates will remain in force until due notice is given of their withdrawal.

WILLIAM E. PECK & Co.,
General Agents.

In other words, it (the 5 per cent) was given to the shipper and not hidden, so that the shipper would know exactly what rate it was shipped at. I do not think there is any other way of handling that situation. You either cut your rates or your boats go empty or you let them go off the route.

Mr. HARDY. In other words, you were fighting for your existence and your prosperity?

Mr. CURTIS. I think that is the only way to put it.

The CHAIRMAN. How long were you and the New York & Porto Steamship Co. in business down there before Mr. Bull came in?

Mr. CURTIS. The New York & Porto Rico Steamship Co. arose from a fight between J. M. Ceballos & Co. and Mr. Bull, about 1888, I should judge, as near as I can remember, and at the end of that time Mr. Bull forced them into giving him the general agency of the business, and they pooled their issues. That was a very similar fight. Freights went down to practically the stevedore charges, and it were formed about, I should say, 1889, and Miller, Bull & Knowlton was the firm then, and they were strong enough to carry off the general agency of the line.

They remained general agents of the line for approximately 10 years, and just after the Spanish War that relationship was broken up, owing to internal dissensions, and Mr. Bull and Mr. Knowlton sold out their interests to the other parties in the Porto Rico Line, and, if I remember right, at that time Mr. Bull stated that he entered into an agreement to stay out of the business for 10 years; in other words, he sold his good will and his stock and everything that he had in the Porto Rico trade, and was paid for it and got out, both he and his partner, Mr. Knowlton.

The CHAIRMAN. When did you go into the Porto Rico trade—that is, the Insular Line?

Mr. CURTIS. It was about 1906. The Insular Line started in the fall of 1906.

The CHAIRMAN. What other lines were engaged in that trade when the Insular Line went in?

Mr. CURTIS. At that time the Red D, the New York & Porto Rico Steamship Co., and the Benner Sailing Line, and Mr. Luckenbach had at different times started his boats intermittently in the trade.

His boats were well known in the island and he had a certain good will, not really a line.

The CHAIRMAN. From the time you entered the trade into Porto Rico until Mr. Bull came back, you and the other lines operating to Porto Rico got along without sharp competition?

Mr. CURTIS. Oh, no; as soon—almost as soon as we got started we began to have trouble with the Red D Line, and in 1908, during the summer of 1908, the rates were being cut by the Red D Line, and we sent out that circular. My recollection is that they cut rates $33\frac{1}{2}$ per cent; the Insular Line cut rates $33\frac{1}{2}$, plus 5 per cent; and on dry goods and stuff of that sort, my recollection is they cut rates 50 or 60 per cent.

The CHAIRMAN. When was that trouble patched up, and how?

Mr. CURTIS. I think they both got tired. My recollection is that the Insular Line thought that the Red D Line was pretty tired, and put rates up, and I think that after reasonable interval for self-respect the Red D Line followed suit. The Porto Rico Line, if I remember right, did not participate then in the fight. I do not remember if they did. Their policy has been not to cut rates. You see, they run a great many boats, and the rate war for them is very much more serious than to the Red D Line. The Porto Rico Line does a business of probably three or four times the business of the Insular Line to Porto Rico, and probably 10 times the Red D Line. Now, if a general rate war comes on of course it means a much more serious business in the volume to the Porto Rico Line than to any of the others.

The CHAIRMAN. You and the Porto Rico Line have never had any trouble?

Mr. CURTIS. The Insular Line?

The CHAIRMAN. The Insular Line and the New York & Porto Rico Steamship Co.

Mr. CURTIS. I think they have been scrapping a good deal over freight rates and business. I do not think they have ever—

The CHAIRMAN. Then, you maintain the uniform rates?

Mr. CURTIS. No; not at all. The Insular Line schedule of discounts with the Porto Rico Line have varied from 25 to 10 per cent. The New York & Porto Rico Line has always been the standard. They printed a tariff and almost everybody has taken advantage of that and quoted discount from the Porto Rico tariff. The Red D Line did not do that; they had a little tariff, and they quoted their discounts from their own tariff, but I think, generally, the quotation is made at so much from the printed tariff of the Porto Rico Line, but that only applies to certain stock commodities. When you come to all special stuff, like machinery, and anything that is not stock articles, you would always find them scrapping for the business. Usually the man that could give the most convenient sailing and whose vessel could get into that port or who made the lowest rate got the business. There are some ports that the Insular Line can not get into very well, on account of their vessels being old-fashioned boats of deep draft, and at those ports we have always been to a disadvantage. Then the outports the Red D Line has not served, so on the outports it has been mostly between the Porto Rico Line and ourselves. They have had large mail business, and it does not pay them on small consignments to go into small ports, so the Insular

Line gradually picked up very good business with the outports, and on the bulky stuff that was all special-rate business—that is, a man would come and say he had such and such machinery, and give his engineer's specifications, and ask what we would move it for, and we would say we would move it for so much a foot or ton or so much lump sum for the whole thing, and sometimes they would accept one form of contract, some basis of payment, and sometimes another, and all that with negotiations between the different lines—that is, not the lines with each other. The shipper would go and shop around and see what deliveries suited him best, and what prices suited him best, and perhaps only one line could serve him.

The CHAIRMAN. Is there any agreement or understanding between you and the New York & Porto Rico Steamship Co. with reference to rates?

Mr. CURTIS. There never has been the slightest understanding with the Porto Rico line as to rates.

The CHAIRMAN. Either directly or indirectly?

Mr. CURTIS. Neither directly nor indirectly.

The CHAIRMAN. You say, as to the Porto Rico line, part of the time you have cut under their rates?

Mr. CURTIS. We have, in the main, kept under their rates. Of course that does not apply, as I say, to these special contracts, which are the profitable part of the business usually. Sometimes if we thought we had a high price for the machinery on some large order and we would find that we had a low price when we got through with it—that is where the business judgment of your freight representative comes in. We have had an extremely good man on those details in Mr. Philipps.

The CHAIRMAN. Is there any agreement between you and the Porto Rico Steamship Co. with reference to the division of ports—the ones that they should trade to and the ports that you should trade to?

Mr. CURTIS. Never in any way, shape, or form.

The CHAIRMAN. Have you or have you not had, since you entered the trade, any agreement with them in any form, covering any feature of the trade between New York and Porto Rico?

Mr. CURTIS. There has never been anything. It has been open competition. The lower rate, or the man that gave the best service often got the business. Sometimes it was a question of service and sometimes of rate.

I ought to state, for the information of the committee, that the insurance on the Insular boats has been, as a rule, quite a little higher than on the Porto Rican boats, so that a portion of that discount from the Porto Rico line rates would be required to pay added charges. That does not apply as much on the southbound rates; and on sugar, for instance, a quotation of 12 or 14 cents a hundred pounds via the old Luckenbach boats would not be equivalent at all for the shipper to the same quotation on the Porto Rico line boats, because the insurance on those old Luckenbach boats was very high. That was one disadvantage we were under, to start with. The record of loss has been cut, and we do not suffer as much as we did at the start. We have some better boats in the service. We charter better boats. At first we only had the Lukenbach boats, and they were pretty poor.

Mr. HARDY. You mean the shipper by your boats had to insure his cargo at a higher rate?

Mr. CURTIS. On sugar, northbound, especially. I am speaking now of large contracts. I think on small contracts it did not make much difference, but the shippers on the large contract claim that they paid a larger rate of insurance on our lines than on the Porto Rico lines.

The CHAIRMAN. Well, now, have the rates as between you and the Porto Rico Steamship Co. been different, if you take into account the differential on account of insurance and those other elements you mention?

Mr. CURTIS. Oh, yes; we think that we carry our shipper's stuff at less net money to the shipper, as a rule. I think that on machinery and some stuff of that sort, where special service counted more, perhaps, we have gotten quite a little better rates than the Porto Rico Line; but on most of the stuff we have had to take a rate which showed the shipper a profit over the Porto Rico Line, or we did not get the business. But on a good deal of that it is a matter of your traffic solicitor, and the way you treat the people, and Mr. Philipps is a most excellent traffic solicitor. He will get business if he can give anywhere near even terms on the business. If he can get anywhere near even terms he will get the contract, and the success of the Insular Line is largely due to him. It has been successful—

Mr. HARDY. He actually hustles for the business?

Mr. CURTIS. He does; and he treats everybody very fairly, and yet he hangs out for what he is entitled to. Sometimes I could not do it without exasperating people, but he does, and has had very difficult negotiations with the shippers over claims and everything of that sort, and he manages to keep their confidence and yet stand up for what he thinks the company is entitled to. He is a very unusual man. I can not pay any attention to these things, and I do not. I have turned the company over, practically, to Mr. Philipps entirely, and for years I have scarcely seen him. Since this Bull fight has come up I have seen him more frequently and learned more about the Insular Line than I ever knew or expected to know.

I went into the thing because I knew a great deal about Porto Rico. It had a very large population. I figured that that population was a great asset; that it was a richer country than a country that was undeveloped and had a small population, and it has proved that way. Porto Rico has developed beyond experience, almost. I do not know of any experience in shipping where freight has developed as rapidly, because this is real development. We are not taking it from the railroads; it is not a shifting of traffic or anything of that sort. Porto Rico has developed its freight in an unprecedented manner.

Mr. HARDY. How has the freight between Porto Rico and the years shown between 1906 and now—what is the relative volume of it? I believe you say you went into it in 1906?

Mr. CURTIS. Let me see if I can think of any figures I have on that. I should say the sugar crop, for instance, is a very great export—of course, the census figures will show it—my impression is that it has increased 50 per cent, and the imports of machinery and stuff of that sort, represented by that increase in sugar, an increase of 200 per cent.

Mr. HARDY. So that export trade of Porto Rico prior to 1906, or prior to its affiliation with the United States—did that come to the United States, then, or did it go to England?

Mr. CURTIS. A good part of it came to this country, but there was very little sugar, comparatively, grown and exported until it got the benefit of coming in duty free. If the duty had been removed at that time they never would have had the sugar development there is in Porto Rico; but it has grown because it has a great advantage over Cuba, being protected by the duty.

Mr. HARDY. You think since 1906 the freight between the United States and Cuba has increased about 50 per cent?

Mr. CURTIS. The export of sugar, as I recall it, since 1906, but of course since 1900 and thereabouts the imports of sugar have probably increased—

Mr. HARDY. More than that.

Has your line any arrangement or understanding with the Atlantic, Gulf & West Indies Co.?

Mr. CURTIS. No. We have had a number of misunderstandings with some of their people, but no understandings. Our line sends boats, during the off season, into the Gulf and all up and down the coast to take up business there. We take business away from the Southern Pacific at New Orleans. I have not the figures for this year, but in 1911, I remember, we took 20,000 tons of raw sugar out of New Orleans and carried it to New York. We take ties from all these lines at Gulf and Atlantic points. We have a vessel loading, I think, at Jacksonville now. This is the dull season, of course; there is no sugar at this season. One of our boats is loading there now in Jacksonville with ties for Boston.

Mr. HARDY. Of course, you have no financial interest in that Atlantic, Gulf & West Indies Co.?

Mr. CURTIS. I think I have a \$500 bond of the Atlantic, Gulf & West Indies Co., or a fractional bond of some sort, and I have one share of the Clyde Steamship Co.'s stock, for which I paid \$40.

Mr. HARDY. Those were purchased without any purpose?

Mr. CURTIS. Well, I keep the Clyde stock because I know what dividends they are paying.

Mr. HARDY. You had a little information, then, by having stock?

Mr. CURTIS. Yes.

Mr. HARDY. There is no understanding of any kind between you?

Mr. CURTIS. No, sir. I bought that stock at the time the companies were in trouble, when Mr. Morse failed, and I think I represented a great many of the creditors of Mr. Morse.

Mr. HARDY. Now, you say—

Mr. CURTIS. I want to tell you how I brought the stock. I represented some of the largest creditors, and my recollection is that I bought that stock and went into the Clyde Line board for a short time, and when I went out the present organization offered to buy the stock, but I thought I would keep it myself. There are a very few outside stockholders.

Mr. HARDY. When was it you went on that board?

Mr. CURTIS. I should say it was in 1907. It was at the time of Mr. Morse's failure.

Mr. HARDY. Was Morse's purpose or effort to buy up a lot of competing lines there and consolidate them?

Mr. CURTIS. Well, I went through Mr. Morse's finances very carefully, and I could not see he had any very distinct purpose. He knew the properties were fine properties, and he knew they were

capable of great things. Some of them he bought well. I mean by that he bought them on favorable terms, and others he bought at prices which I can not see why any reasonable man would have paid. I can not see that he had any very definite policy. I think he had an idea if he bought something and got control of a lot of shipping, that there must be a great deal of money to be made out of it.

Mr. HARDY. His general idea, or his purpose, was to consolidate, was it not?

Mr. CURTIS. Oh, yes. He thought he would make a great saving in management, but instead of that the results of the attempt at combined operation were disastrous.

Mr. HARDY. What lines did he buy?

Mr. CURTIS. He bought the Clyde Line; the Mallory Line; the New York & Cuba Mail Steamship Co., which was known as the Ward Line; the Eastern Steamship Co.; the Metropolitan Steamship Co. Do you know where those lines run?

Mr. HARDY. No.

Mr. CURTIS. The Eastern is running from Boston up along the coast of Maine.

Mr. HARDY. I think we should have it stated in the record for all these lines, so you may just name them.

Mr. CURTIS. The Metropolitan runs from New York to Boston and the Hudson Navigation Co.—he practically bought all of that—runs from New York to Albany and Troy and up the Hudson. He had all those lines at the time he went to pieces. He had almost every one of those lines. He had almost all of the stock of every one of those lines in his control, and those stocks as he bought them he had turned into the Consolidated Steamship Co., which was a holding company. It was a technical holding company, it taking those stocks and distributing them to the public.

Mr. HARDY. What was the amount of its stock?

Mr. CURTIS. I would be afraid to say from memory, but I think it was \$60,000,000, or something of that sort.

Mr. HARDY. And he was selling stock of this holding company when he would buy these other properties?

Mr. CURTIS. I do not think that very much stock was ever sold; but he gave to every one who put in money with him or put in the securities of the constituent companies a thousand-dollar bond and a thousand dollars of stock, say—something of that sort—for a given proportion of stock of one of the companies that was absorbed, or for cash; but that was done almost entirely with the people who were operating with him. The public did not get many of those securities.

Mr. HARDY. In your going through the estate of Mr. Morse after his failure, what creditors did you represent?

Mr. CURTIS. Let me see. They were not so much his personal creditors as the creditors of the different lines. I worked with the reorganization committee.

Mr. HARDY. Reorganizing what?

Mr. CURTIS. The reorganization committee of these lines; and when I say Mr. Morse's creditors, his affairs were so involved that the difference between the creditors of some of the companies and the creditors of Mr. Morse were very difficult to determine; but I represented the creditors generally in an attempt to straighten out

his affairs, and I was paid in the end by the reorganization committee for my services. It would be rather difficult to say who I represented for that reason. I represented all the creditors.

Mr. HARDY. Initially, you must have gone in in behalf of some creditor?

Mr. CURTIS. Oh, yes. Initially, I represented John E. Berwind, from whom he had bought stock of the Porto Rico Line and had not paid for it; and he owed him money. It became evident, almost at once, that we would have to stop the panic to save this investment, and the owners of the old line had to be brought in, and the way that an entire sacrifice of the assets was avoided was that the parties who had formerly owned the lines went on a reorganization committee which had been formed without their assistance. They eventually got a good many of them on that committee; and the bankers, when they found that the old people were taking hold again, stopped selling out the collateral and gave them a chance to reorganize, and they reorganized by borrowing about, say, two or two and a half million dollars and paying the indebtedness of the constituent companies to the banks. Then they gave to each bondholder of the consolidated steamship lines a bond at, I think, about 12 or 14 cents on the dollar for his old bond and some preferred stock and some common stock that was the preferred and common stock and bonds of the Atlantic, Gulf & West India Co., which is the present corporation. That was effected by the creditors of the consolidated steamship lines.

Mr. HARDY. You said the man you initially represented was Mr. John E. Berwind?

Mr. CURTIS. Yes; John E. Berwind.

Mr. HARDY. Does he control the Atlantic, Gulf & West Indies Co.?

Mr. CURTIS. No; I think at the time I knew about his affairs he had a nominal interest there.

Mr. HARDY. Do you know where he is now, or what he is now, or what relation he has to that company now?

Mr. CURTIS. I think he has some interest there, but he has not a large interest—a predominating interest. The predominating interest is in a different quarter entirely.

Mr. HARDY. In that adjustment did you represent H. R. Mallory?

Mr. CURTIS. I never saw him prior to the failure of Mr. Morse, to my knowledge.

Mr. HARDY. You only saw him in this general way of settling up the whole thing?

Mr. CURTIS. Yes.

Mr. HARDY. I believe you said you were paid for your services ultimately by the reorganization committee?

Mr. CURTIS. They paid me for my services, and after they got on their feet again, I got out of all interest.

Mr. HARDY. Did you represent Mr. G. L. Stone except in that general way?

Mr. CURTIS. No; I think not. I think I drew some agreements in that connection and was paid \$250 for drawing them.

Mr. HARDY. Mr. Nichols?

Mr. CURTIS. I never saw him before.

Mr. HARDY. Or Mr. W. M. Brown?

Mr. CURTIS. I never heard of him. I do not think I ever saw Mr. W. M. Brown. I think I met—was he a director? There was a Gov. Brown.

Mr. HARDY. He was a director; yes.

Mr. CURTIS. Gov. Brown, of the West Indies Line?

Mr. HARDY. I think so.

Mr. CURTIS. There was a Mr. Brown at that time, but I do not remember that I ever came in contact with him.

Mr. HARDY. Well, how about Mr. H. E. Rodgers; did you represent him specially?

Mr. CURTIS. Mr. H. E. Rodgers—I do not know who he is.

Mr. HARDY. Yes; Mr. H. E. Rodgers.

Mr. CURTIS. Oh, I think he is an executor of Mr. Booth's estate. He is some one who has come in since.

Mr. HARDY. But you did not specially represent him?

Mr. CURTIS. No.

Mr. HARDY. I think you said initially you started in to represent Mr. E. J. Berwind.

Mr. CURTIS. Mr. John E. Berwind.

Mr. HARDY. Well, he seems to be a director of that company.

Mr. CURTIS. No; not a director.

Mr. HARDY. He is among the directors put down here on this list I have.

Mr. CURTIS. I think that has given his initials wrong. What are the initials?

Mr. HARDY. E. J.

Mr. CURTIS. That is his brother. I never represented him.

Mr. HARDY. And you never represented this one?

Mr. CURTIS. No; not E. J.

Mr. HARDY. Did you represent Mr. Hornblower; Mr. H. Hornblower?

Mr. CURTIS. No; he was a banker from Boston. I never saw him before; I remember he was on the committee there of the reorganization. There were a number of people I knew on the reorganization committee, while I did not represent them especially.

Mr. HARDY. Your operation in that case was a case of unscrambling eggs, was it not?

Mr. CURTIS. Well, it was the worst mess I ever saw in my life.

Mr. HARDY. The purpose was to get back all the purchased companies and turn them over to the original companies?

Mr. CURTIS. Oh, no. The old owners never took back their lines at all; they simply went in there and held things together and formed a reorganization committee and raised money enough to pay off the pressing obligations, and then gave to the bondholders of the Consolidated Steamship Co. new bonds and stock of the Atlantic, Gulf & West Indies Co. They bought in all the stock of the constituent lines, except certain ones I can explain to you. They bought in those stocks and put them in the treasury of the Atlantic, Gulf & West Indies Co., which issued the securities to the former bondholders of the Consolidated Steamship Lines. The Hudson Navigation Co. never went into the Consolidated Steamship Co. That was reorganized separately by their own people. They got on their own feet and went ahead. They never went through a receivership. The Metropolitan and the Eastern were reorganized separately by other

people, although they went through receiverships. They were reorganized in Boston and put on their legs down there.

Mr. HARDY. Did they come into this Atlantic, Gulf & West Indies Co.?

Mr. CURTIS. They have never been in it since—the Metropolitan and the Eastern were in the old company, but not in the new.

Mr. HARDY. Then this Atlantic, Gulf & West Indies Co. is the successor of the Consolidated Steamship Lines organized by Morse?

Mr. CURTIS. I think you could say that, yes; of course, succeeded by purchasers of their assets.

Mr. HARDY. It includes practically the same companies?

Mr. CURTIS. With the exception of the Metropolitan and Eastern, it includes practically the same companies. I think that is correct.

Mr. WILSON. Is this John E. Berwind you represented a director in the New York, New Haven & Hartford Railroad?

Mr. CURTIS. I do not think so; but E. J. Berwind is a director in a great many corporations.

Mr. WILSON. Including the Pennsylvania Railroad?

Mr. CURTIS. I do not know. Is he a director of the Pennsylvania? I think he is of the Atchison; I know he has an interest there.

Mr. WILSON. The Berwinds are the largest single shippers of coal on the Pennsylvania lines.

Mr. CURTIS. Yes?

Mr. WILSON. And they have for a long time been represented on the directorate, but I did not know whether it was John E. or E. J.

Mr. CURTIS. Yes. There are two or three of them. You see, they are coal merchants, and I presume they were creditors; I know they were creditors of the Metropolitan Line to a very considerable extent at the time of the failure.

Mr. HARDY. You became, in that way, the attorney for this Atlantic, Gulf & West Indies Co., and were paid by them in this reorganization?

Mr. CURTIS. The reorganization committee paid me.

Mr. HARDY. And the constituent companies held the bonds of that company, did they not?

Mr. CURTIS. No; the bonds of the Atlantic, Gulf & West Indies Co. were distributed to all who had formerly held the Consolidated Steamship Lines' bonds.

Mr. HARDY. Most of those were companies located at New York and Boston, were they not?

Mr. CURTIS. Oh, no. Those bonds were all in the hands of people who had put money into the hands of Mr. Morse to buy out the former owners, and those bonds were all in the hands of people who believed in Mr. Morse.

The CHAIRMAN. Then, when this new company, the Atlantic, Gulf & West Indies Co. was organized, they surrendered the bonds in the Morse organization and took bonds in the new company?

Mr. CURTIS. Practically; that is the practical effect of it. They surrendered the old bonds and took the new bonds for a very much smaller amount.

The CHAIRMAN. Had the assets been liquidated by the insolvency sale of the old corporation, the chances are they would not have gotten anything.

Mr. CURTIS. They could not have done so by any possibility.

Mr. HARDY. What I want to know is, do the directors of these new constituent companies own any of these bonds. Take the New York & Porto Rico Steamship Co.?

Mr. CURTIS. I do not think the bonds of the constituent companies are held to any extent by the same people who held the securities of the parent companies. I mean by that, not to a great extent.

Mr. HARDY. That is not the question I asked.

Mr. CURTIS. The Clyde bonds have been sold very largely to the public—and there has been a market for those. They were extremely good bonds, and they have sold well at all times. The Ward Line's bonds were given largely for the payment of the property, so that, of course, they were not in the treasury of the company. The Mallory Line bonds, I think, have been sold to the public. Those bonds, of course, never defaulted. They were not involved in this reorganization. These companies did not go into the hands of a receiver when the Morse holding company went into the hands of a receiver. The two eastern companies—the Metropolitan and the Eastern—which were not included in this reorganization went into the hands of receivers.

Mr. HARDY. In other words, they were not considered worth putting into the new consolidation. They went into the hands of receivers and were distributed.

Mr. CURTIS. I will not say that. The Eastern was caught simply without available funds.

Mr. HARDY. Did it come out of the receivership wholly?

Mr. CURTIS. Oh, yes; it was reorganized and later paid the creditors in full, and the stockholders received stock in the new company.

Mr. HARDY. Do you in any way represent this consolidation now as its attorney?

Mr. CURTIS. No; I do not.

Mr. HARDY. Have you represented it at all, or any of its constituents, since the time of its reorganization?

Mr. CURTIS. I have not. I got out after they got on their feet. I stayed with them a year, I think, and then I got out.

Mr. HARDY. You got out about 1908 or 1909?

Mr. CURTIS. 1907 or 1908. I do not remember exactly.

The CHAIRMAN. Is there any understanding or agreement between yourself and the Insular Line, which is in effect the same, by which your line shall be used or the ships controlled by you to protect the ships of the Atlantic, Gulf & West Indies Steamship Co. against competition? In other words, are your ships used by consent as fighting ships?

Mr. CURTIS. Absolutely not, and I think their interests have not been at all harmonious.

The CHAIRMAN. Have you any relation with Mr. Luckenbach other than as charterer of his ships?

Mr. CURTIS. I do not think I have ever had; yes, I helped to sell him a ship a little while ago. He bought a ship on the west coast. I am not his attorney, but there is no reason why I should not be. I should be very glad to be, but I am not. He has no interest in the Insular Line, if that is what you mean.

Mr. HARDY. How many of those ships are employed?

Mr. CURTIS. In the sugar season they operate about seven or eight ships to Porto Rico, and in the dull season about three ships. And the difference between those numbers during the dull season represents

ships which have to get business where they can on the coast, and some of them go as far south as Rio.

Mr. HARDY. Your ship operation then is about seven or eight ships?

Mr. CURTIS. Yes; we have to take those ships in order to carry the maximum of the sugar crop.

Mr. HARDY. Do you operate ships anywhere else except from New York to Porto Rico?

Mr. CURTIS. What do you mean, the Insular Line? Oh, yes; they operate during the off season—the Insular Line operates four out of its seven ships as tramps—mostly on the coast.

Mr. HARDY. Is seven ships the total number of ships the Insular Line operates?

Mr. CURTIS. Yes. They occasionally take a ship for a trip or two, but seven is practically the number.

Mr. HARDY. Practically seven is the number of your ships?

Mr. CURTIS. Yes.

Mr. HARDY. What tonnage?

Mr. CURTIS. About 3,000 or 4,000 tons dead weight capacity. One of them carries a few passengers, but they are practically freight ships.

The CHAIRMAN. Mr. Bull, as I recall, stated that when he or a broker representing him went to Luckenbach to charter ships for the Porto Rican trade, he declined to charter ships; he was willing to charter them to him for any other trade, but it was stated to him that Luckenbach had obligated himself to you in consideration of your chartering his ships for the Porto Rican trade not to charter them to anybody else for that trade.

Mr. CURTIS. That is practically a fair statement. The way it works out is, when we started to take Mr. Luckenbach's ships we told him that of course he must not put on his ships to compete with ours, if we took his ships for three years. It seemed a pretty reasonable proposition, and he acceded to that. My recollection is the agreement is if he puts any other ships on there our charter rates would be reduced 10 per cent. That, I think, is sufficient to keep Mr. Luckenbach from wanting to compete with his own boats, and if he puts them on the Porto Rican trade he competes with his own boats.

Mr. HARDY. What was that figure, about 10 per cent?

Mr. CURTIS. Ten per cent; yes. There is no agreement that he shall not put ships on there, but when we started the line we told him he, having ten or a dozen ships, that if we took three of them to run to Porto Rico of course after he chartered them to us for a fixed sum he was not to take his additional ships, collect our charter money, and then take our business away from us by running his own ships.

The CHAIRMAN. Have you a copy of that agreement?

Mr. CURTIS. I have not. I think I can send the committee a copy of it.

The CHAIRMAN. We will be glad to have you do it.

Mr. CURTIS. That is the substance of it, at any rate. That is what Mr. Bull referred to. I will send that to you. It has not been made public, but it is generally understood down town that was the arrangement.

Mr. HARDY. Have you any rebate agreements with any of your shippers?

Mr. CURTIS. No.; I do not think there has ever been any rebate system on Porto Rico business. I have never known of it. The general shipper puts his cargo aboard the ship, pays his freight in advance to New York, and that is the end of the relations with him. Sugar contractors, contract shippers, machinery shippers, etc., it is all a matter of dicker with them.

The CHAIRMAN. Mr. Curtis, have you any suggestions to make to the committee with reference to what legislation shall be enacted by Congress to regulate ocean transportation?

Mr. CURTIS. I wish I had. Ever since Mr. Bull started this competition I have been trying to think of something I wanted to do. I have not seen any solution for it. I give Mr. Bull credit for thinking that he does not enjoy it any more than I do. I think he has a bear by the tail, but he started it.

The CHAIRMAN. Have you any suggestions to make?

Mr. CURTIS. With what end in view, may I ask?

The CHAIRMAN. In the first place, it is alleged that the shipping interests are in a combination, a pool, trust, or ring. That may or may not be true, but there are certain combinations, as we know—

Mr. CURTIS. Oh, yes; certainly. I am sorry to say there is nothing of the sort in Porto Rico. We have had nothing but a succession of freight wars in Porto Rico, and then they get tired and restore rates for a little while. Then something comes on and they go at it again. I do not know any way of stopping it. I have thought sometimes that possibly if the ship's manifest of offshore business—I do not know that it would be feasible at all with the lines that are a part of a railroad system—were filed with the rates in it, it might at any rate secure equal treatment to shippers. We are in the dark here a little bit on Mr. Bull's rates. We try to keep equal with them, or below them. We do not know—he may be getting more than we are, or we may be cutting more than is necessary. We do not know. The shippers tell us that we are not going as low as Mr. Bull goes, but I understand from Mr. Bull's testimony that we are going below him. It is a very difficult question. Mr. Bull in a way gave the difficulty of regulating a steamship, especially a tramp steamship, rate. Take the case of a boat that is in New York looking for cargo. She is offered a cargo of ties north from the Gulf. If she is a boat built like a Lake boat, with her engines astern, as they are building a great many boats now—if she gets some cargo she will get down to Galveston about a day and a half quicker if she has 1,000 tons cargo in her than if she goes down with her nose in the air. She will burn no more coal and she will save a day and a half in time. If she can get a cargo of coal loaded into her free and discharged free it would really be an advantage to her to do it, and she would save a day and a half. What can be done in such a situation as that? A minimum rate would be almost impossible to apply. Some boats require cargo to go to sea—take it practically as ballast.

The CHAIRMAN. There have been statements made before the committee that these ocean liners, passenger ships, must have a certain amount of ballast.

Mr. CURTIS. They have to have it.

The CHAIRMAN. And if they can not get it otherwise they must go out and get it in the shape of grain.

Mr. CURTIS. Yes; and if you have a lot of light, bulky freight to go in a ship you may want some cement, especially if you have some passengers aboard, to put in the bottom of the ships, or some iron rails. Anything you get is cheaper than putting cobblestones in. And that makes it a very difficult subject to deal with. If there was any regulation, it should be, I should fancy, what you might call package freight—stuff that is not concerned with the stability of the ship.

Mr. HARDY. I understood you to say it would be also difficult where certain lines were part of a railway?

Mr. CURTIS. I say I do not know anything about their system of charges. I have never had anything to do with any line that was connected with a railroad.

Mr. HARDY. You know, however, there are quite a good many that are connected with railways, do you not?

Mr. CURTIS. There are a number that are owned by railways, such as my friends, the Southern Pacific. Then there are others that operate a part of a through water-and-rail route, where they are owned separately.

Mr. HARDY. Do you come in contact with any of that class of lines?

Mr. CURTIS. The Porto Rico business, I think, has always been a straight port to port business. Mr. Bull spoke of it in his testimony, but I do not think he was referring then to his Porto Rico business, because no railway has anything to do with Porto Rico business. It is a separate transaction and a separate rate. There are no through rates.

Mr. HARDY. Is it your understanding that certain of the lines give through rates—water and land—in the foreign trade, as well as in the domestic trade?

Mr. CURTIS. I know nothing about the foreign trade at all. My interests are entirely domestic. I know something about foreign tramps, but nothing about foreign lines.

The CHAIRMAN. Do you think that publicity would be beneficial; for instance, that they should be permitted to make agreements, but that they should be filed with a tribunal like the Interstate Commerce Commission?

Mr. CURTIS. I can not understand this, Mr. Chairman—I can not understand why, if two steamship lines took the rules of the Interstate Commerce Commission or the regulation of the Interstate Commerce Commission and agreed that they would do exactly what those laws and regulations required, namely, to give 30 days' notice before they changed their rates, and to make all their rates public, and to give no rebates, why they should be subject to the same fine for doing what that law enjoins, that the railroad is subjected to for not doing it.

But the fact of the law to-day is that if two or more steamship lines made an agreement that they would give no rates except published tariffs and would not change their published tariff without giving 30 days' notice to shippers these lines would be violators of the Sherman antitrust law. It seems to me that is a position too ridiculous for comment. You have seen before you the foremost men of the shipping world.

You have had Mr. Franklin down here. You have had the men that stand at the very top, and you have seen what their business absolutely requires; and yet if Mr. Bull and the Red D Line, the Porto Rico Line, and the Insular Line sat opposite you here at the table and you asked us to restore rates, if we assented we would be called violators of the Sherman antitrust law. If you asked me to stop cutting rates against Mr. Bull and I told you I would do it, I would be called a felon under the laws of the United States.

Mr. HARDY. I want to ask you——

Mr. CURTIS. I have not read the last decision of the Supreme Court of the United States. I never know about the Sherman law until I have read about the last decision, but I would consider I would be called a felon if I promised Mr. Bull to raise rates.

Mr. HARDY. Why would not the railroads do the same thing? Where did you get the idea that there is a different application for a railroad than the steamship lines?

Mr. CURTIS. If I agree I would not reduce my rates without giving 30 days' notice to the public and made that agreement with any other carrier, I would be making an agreement in restraint of trade. In the case of a railroad it is not an agreement; it is now a law, so it is binding without an agreement. If they did reduce their rates without giving 30 days' notice, they would be called felons; and if I agreed to do the same thing that they are commanded to do, I would be called a felon.

Mr. HARDY. The proposition is simply this, that the law as to railroad rates, subject to the interstate-commerce law, fixes the rates.

Mr. CURTIS. It provides that no rates shall be cut without 30 days' notice.

Mr. HARDY. No individual shall cut the rates without 30 days' notice.

Mr. CURTIS. No railroad companies.

Mr. HARDY. I mean individual companies.

Mr. CURTIS. Yes.

Mr. HARDY. But it has no particular provision about agreements that apply to the railroads that does not apply to you, has it?

Mr. CURTIS. If I made the same agreement that they have enacted into a law, that I would not cut the rates without 30 days' notice——

Mr. HARDY. Oh, yes.

Mr. CURTIS (continuing). I would be making an agreement in violation of the Sherman antitrust law.

Mr. HARDY. Our State railway commission fixes the rates for all companies, but if they agreed on that rate you might call it a violation.

Mr. CURTIS. They have been doing for the railroads exactly what we are prohibited by the Sherman Act from doing.

Mr. HARDY. You mean the law fixes their rates? Would you be willing for a commission to fix your rates for all of them?

The CHAIRMAN. The law does not fix the railroad's rates.

Mr. CURTIS. The law does not fix their rates, technically. The rates are supposed to be fixed by the railroads, as I understand it, subject to regulation. Now, I do not think there would be the slightest objection to legalizing pools, provided that the pooling contracts were made public and that there was the same penalty on secret

cuts or rebates under those pooling agreements that there is under the legalized pool created by the adoption of rates with the approval of the Interstate Commerce Commission. That is a legalized pool.

Mr. HARDY. I think you are right. In my State the intrastate rates are fixed by the commission for every 5 miles so and so.

Mr. CURTIS. Of course we are faced with the difficulty on the bulk freight and so on. For instance, the tramp steamers are the bane of the liners. No one knows how to handle them. It is almost impossible to handle them. But I can see no reason why there should be anything disgraceful in three ocean-going lines, carrying passengers from here to Europe, requiring a certain standard of efficiency and speed and everything else, making any agreement they desired, provided they give it out to the public.

Mr. WILSON. Have you any information as to what percentage of American shipping is handled in tramp steamers?

Mr. CURTIS. How many of the American ships are tramp steamers?

Mr. WILSON. What percentage of the American shipping is handled in tramp steamers?

Mr. CURTIS. Foreign?

Mr. WILSON. To and from points of the United States.

Mr. CURTIS. No; I have not. I should say that the bulk of the business was in the hands of the liners. Of course, the passenger business is entirely in the hands of the liners.

Mr. HARDY. It was stated by another witness that the tramp steamers, he thought, carried about 70 per cent—60 or 70 per cent of the bulk freight.

Mr. CURTIS. Yes.

Mr. HARDY. While the other steamers carried about that percentage of the package freight—line steamers.

Mr. CURTIS. Of course, when our boats are off their Porto Rico run, they carry nothing but bulk freight—coal, phosphate, ties, and sulphur, and stuff of that sort. They carry no package freight.

Mr. HARDY. You mean in the export trade?

Mr. CURTIS. No; I mean up and down the coast. These are American boats. Only this year have we ever run foreign. We have sent two ships to Rio, loaded by the Baldwin Locomotive Works with engines for Rio.

Mr. HARDY. Are all your seven ships American boats?

Mr. CURTIS. Yes; they are all American. We can not run to Porto Rico anything but vessels flying the American flag.

Mr. HARDY. And you have sent some to other ports—you have sent some of your tramp ships with cargoes to South America?

Mr. CURTIS. Yes, only two; and it was by the Baldwin Locomotive Works, which took both of them, and they took both of them because—the reason that they took them in preference to the English boats was because they had to handle a cargo of machinery, and we have very heavy gear. I fancy they could have gotten foreign boats cheaper even then, but they needed a special equipment.

Mr. HARDY. You fortunately came in and filled that demand at the time they wanted it?

Mr. CURTIS. Yes. We have derricks that will hoist 30-ton pieces. When you have a 30-ton piece you want a pretty good equipment. If

you try to handle it on any ordinary derrick equipment, if it got loose it would be goodbye to the whole ship and cargo.

Mr. HARDY. That is as heavy as an old-fashioned locomotive?

Mr. CURTIS. Some of the Baldwin locomotive single pieces weigh as much as the old locomotive. I do not know that they run up to 30 tons. Our equipment is tested up to 30 tons on some of the boats. Shipping that way you get an extra rate. It is not like a railroad. There is this thing—a shipper will give perhaps \$300 to move a single piece of machinery as a unit piece, where the cargo freight rate on the five individual pieces making up that unit would not bring in over \$30 to \$40 if they were separated and shipped in pieces.

The CHAIRMAN. Right along that line, you have contracts with shippers?

Mr. CURTIS. We have sugar contracts, but very few south. The northbound shipments of sugar are practically under contract, because the man has to know how his sugar can be shipped. He sells it against documents, and so on, and he makes those arrangements almost always in advance. Very little contract business southbound, except for machinery.

The CHAIRMAN. Do you give to the shippers the same rate?

Mr. CURTIS. Yes; they all talk it over and they get about the same rates before you get through with them. Not the same rates, but they figure out practically equivalent, for this reason: If a port can only deliver 1,500 bags to you in a day, and another port can deliver 4,500, it means you have got to stay three days to get one man's sugar and one day to get the other man's sugar. They just add that. They know what they can do. They add the ship's time, and if you do not meet them on it you do not get the business.

The CHAIRMAN. They are practically the same, considering local conditions?

Mr. CURTIS. Just about. They all talk it over.

The CHAIRMAN. Take the southbound freights. You have special contracts, do you?

Mr. CURTIS. I do not think any quantity, not with the ordinary shipments. It is all under those circulars.

The CHAIRMAN. You have no contracts with shippers on the southbound trade?

Mr. CURTIS. I could not answer that, because I do not know, but I think we have some contracts. I think soap is usually shipped under contract—stuff that moves in very large volume is apt to be shipped under contract.

The CHAIRMAN. Are all the shippers on the same commodity given the same rate?

Mr. CURTIS. As nearly as possible; yes. The United States Government, for instance, requires contracts on all its shipments, and they get, I should say, 20 per cent below the tariff—below the ordinary shipper. The Quartermaster's Department has a contract. I think we have a quartermaster contract. There has been a general theory that the Government should get 20 per cent off in Porto Rico. I think the Government's passenger used to get 20 per cent off. The Porto Rican Government has a large irrigation work that is under contract, and they get very low rates on that, but it is only a small percentage of the business, and usually it is business of a special character. The ordinary shipper out of New York, I think, the

export merchant, I think, gets the published rates from all these lines. There has never been any complaint that I have ever heard of on the subject of rebates or anything of that sort in the Porto Rican trade; one reason is there has never been any traffic agreements to maintain rates.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. POST. How does the freight from New York compare with the freight from Porto Rico to this country?

Mr. CURTIS. Almost the only cargo that they have in summer, practically, is southbound. They get a little tobacco, northbound, but that goes mostly by the Red D and Porto Rico Line, because they have faster boats. When you get to the winter, in the early months of winter, the freight is about even each way. When you get to the middle of the winter, after the 1st of February, through March, April, and May, the sugar simply overwhelms everything. You can not get your boats around fast enough, and they are busy, but do not receive much freight south. So at that season of the year your boats are going down pretty empty and coming back loaded, just as full as they can carry; and that is something that the shipper can not control in any way. Of course, if they could control the loading so as to keep those boats running approximately even they could operate very much cheaper, but the trouble with the shipping is that you can not get the fellow that wants to ship south, because you have got cargo north.

Mr. HARDY. You stated a while ago that in 1908 you issued a circular with reference to the Red D Line and that you both got tired—

Mr. CURTIS. I think it was 1908. [Referring to paper.] Yes; September, 1908.

Mr. HARDY. That you both got tired of that cutting business and quit it. Now, when you got tired and wanted to quit it, how did you do it? Did you get together?

Mr. CURTIS. I asked Mr. Phillips what he did about that. He said he did not think he did anything. He said, "I do not think I was on speaking terms with them." I think that Mr. Phillips simply thought that they had had enough of it, and that he would put his rates back and they would follow, and pretty soon they did. Remember, the Red D Line is a very old, very wealthy, strong organization.

Mr. HARDY. Are you stating this matter merely from opinion, or do you know just what occurred?

Mr. CURTIS. I say I asked Mr. Phillips within a day or two, when he gave me this circular; I asked Mr. Phillips whether they had any agreements. He said, "No"; he did not have any agreement; he guessed they were both tired of it.

Mr. HARDY. That circular was preliminary to a fight?

Mr. CURTIS. It was in the middle of a fight. I asked him, "How did you get out of it?"

Mr. HARDY. When did you end the fight, after the fight was over?

Mr. CURTIS. He told me that the day before yesterday, when I was coming here, after I seen Mr. Bull's testimony.

Mr. HARDY. His explanation was that they had both had enough. but they did not get together?

Mr. CURTIS. He said he thought the other side was tired, and he put his rates up. Now, if I asked Mr. Bliss about it he would probably say that he beat out the Insular Line; that they could not afford to lose any more money, and he made them put their rates up.

Mr. HARDY. So you do not know whether there was an agreement or not?

Mr. CURTIS. I am very sure there was not, because I know Mr. Bliss well enough to know that Mr. Bliss did not agree to raise his rates at the time. They just got tired. These things occur in the Porto Rico trade right along. This one is the worst case they have ever had. But Mr. Bull is in a stronger position on account of his having his eight ships earning money enough to carry the two ships he is losing money on to Porto Rico. How are you going to end that situation? I will give a very large fee to any member of this committee who could tell Mr. Bull how to let go of that bear's tail. It is almost impossible. I can not see any solution of it.

The CHAIRMAN. You seem to get along with the other lines?

Mr. CURTIS. I got along all right with Mr. Bull. Mr. Bull sat in my office in the most friendly way and talked about knowing me for 20 years, and we discussed this situation, and then he comes down here and tells you that he had an offer from the Insular Line, and I suppose he refers to this conversation that he was offered \$2,000 a month above what he was willing to take for his boats. That discussion was what his boats were worth in the winter.

Mr. Bull's boats are worth about \$2,000 a month more in the winter than they are in the summer, because that is the sugar season. In the summer we can not get anything to do with our boats. If you will ask any shipping man he will tell you that Mr. Bull was truthful when he so stated; he would also tell you that Mr. Mooney was absolutely truthful when he told you that he had never taken a boat from Mr. Bull except at the market rates. The market rates in winter are just about \$2,000 a month on a 5,000-ton boat above what Mr. Bull was then, in the dull season, willing to charter boats for. He was perfectly truthful. He has been in to see me. I have not been in his office in 10 years, but he and his son have been to see me, I should think, four or five times, to see if I could not suggest a way of solving this, and I am just as much at a loss as he—I do not mean that he consulted me professionally, but I can not help him any more than I can help the committee. But, what he wanted was to have the Porto Rican Line—I think he states it in here [referring to transcript of previous hearing]—he wanted to have the Porto Rico Line and the Insular Line put their rates up and let him run boats at 20 or 25 per cent less, or 15 per cent less, or something. I told him, "Why, that is ridiculous. You can not do anything of that sort. It is an absolute violation of the Sherman Act." We discussed all kinds of possible solutions, and I could not see any solution, and I can not now, but I did not suppose that he was going to come down here and tell the committee that anybody had offered to buy him off, because I am very sure that nobody has. I think if Mr. Bull had had an offer he would not be on the route. I think his trouble—his serious trouble is that he has not had any offer. Heretofore he has always, as he expressed it, "compromised it." This time, as far as I can see, nobody is going to compromise with him, unless you gentlemen can formulate some way of handling this situation.

Mr. HARDY. You agree with the other gentlemen, who said Mr. Bull's proposition to him was for you to raise your rates and let him have 25 per cent?

Mr. CURTIS. Was it 25 per cent? He talked to me, I think, about 15—I think that was his idea, that we should put our rates up and protect him. But he admits that—he understands thoroughly that we can not do that. I do not mean that he said he would do it, because he did not say that he would do it, but that is what he would like.

The CHAIRMAN. What has puzzled us, and we are not clear on that, is how the Insular Line, the Red D Line, and the New York & Porto Rico Steamship Co. could get along so nicely together, but just as soon as Mr. Bull comes into the matter there is trouble.

Mr. CURTIS. If Mr. Bull would put his boats on at the same rates that the other lines were charging and had gone after business by giving a better service—competing in service and decency, well and good. Nobody questions anybody's right to run boats from New York to Porto Rico, but when Mr. Bull comes in and cuts—sends a boat out on Saturday, the same day that your boat sails, and cuts your rate 25 or 30 or 40 per cent, his boat takes the freight, and what are you going to do about it? If Mr. Bull had put his boats on and charged the same rates that the Insular Line charged, there never would have been—

The CHAIRMAN. The logic of it, then, is this: If the Red D Line charged the same rates as the New York & Porto Rico Steamship Co. charge—

Mr. CURTIS. I do not think they do, do they?

The CHAIRMAN. And in turn the Insular Line charges the same as the Red D Line, and the Porto Rico Steamship Co. charges. I can not understand why there would be any trouble, but Mr. Bull comes in and proposes to make a variation of 15 per cent, and then the war began?

Mr. CURTIS. No; Mr. Bull comes in and puts his boats on and cuts the rates. If he had put his boats on at the same rate there would have been no trouble.

The CHAIRMAN. If he maintained his rates the same as the other three lines had there would have been no trouble?

Mr. CURTIS. I should suppose not. I know the Insular Line certainly could not have afforded to go into a fight.

Mr. HARDY. Boiled down, your position is that all competing lines ought to have the same rates?

Mr. CURTIS. I can not see how you can avoid a war unless they do, substantially. The same rates for the same service; yes.

Mr. HARDY. You argue for the advantage of having the same rates, do you?

Mr. CURTIS. I have said so.

Mr. HARDY. That competing lines are offering?

Mr. CURTIS. I said a little while ago I thought pooling and things of that sort were necessary in any large shipping business. I think the Porto Rican business alone is the best possible example of the result. It has been nothing but a succession of rate wars for 10 or 20 years.

The CHAIRMAN. But if Mr. Bull would get out all these wounds would be healed up. There would be no trouble, would there?

Mr. CURTIS. If Bull should get out?

fruits and sugar. As its products were obtained in foreign countries, transportation necessarily became a part of its business, and while the transportation business has always been secondary to its fruit and sugar business, nevertheless it has in the course of events developed into a very important part of the company's business and has grown to large proportions at the present time. It may not be amiss to open this statement by a declaration of the policy which the company has pursued in the past with reference to the transportation business and which it intends and expects to pursue in its future development.

It has been the policy of this company to keep itself free from all alliances, combinations, and contracts with other transportation companies. It is not a party to any pooling agreement, or any agreement having as its object a division of territory, division of traffic, or the regulation of sailings, or any other agreement which would hamper or restrain it in respect to such matters. When the United Fruit Co. entered actively into the transportation business in the Caribbean Sea about the beginning of 1904, it found there three established regular steamship lines, namely, the Panama Railroad Steamship Line, the Hamburg-American Line, and the Royal Mail Line. These companies had practically the same rates of freight between the United States and Central and South American points. It was not the policy of this company, in entering that business, to start a rate war or secretly to cut rates, or otherwise conduct its business except in a legitimate and proper manner, and assurances were given the older lines that it was not the intention of this company to do any of the things mentioned, but that any changes it might make in the prevailing rates would be public and previously made known to them. However, this company has in no wise obligated itself, and is not obligated, to any steamship company to maintain any set of rates, and is free at any time that it deems proper to make whatever rates it may see fit. This has been the policy of the company in the past, and so long as the present administration of the company exists it will be maintained in the future. It is our purpose and object to develop as much as we can the foreign business of the United States with Central and South America, and to get as much of that business as we legitimately can, and this, we believe, can be best accomplished by being entirely independent of any combinations or contracts with other transportation lines.

There can be no better way of showing "the effect of the methods" of the United Fruit Co. "on commerce of the United States" than to let the following facts speak for themselves.

It has been some 12 years since the United States Fruit Co., an American enterprise, entered into competition with the older steamship lines for business to the West Indies and Central and South America. During the first fiscal year of the company's existence, which terminated on August 31, 1900, the company employed 44 vessels in connection with its business and carried about 319,000 tons of freight, of which only 51,000 tons, or 16 per cent, consisted of general freight carried for the public. The remaining 84 per cent consisted of bananas, miscellaneous fruit, and merchandise belonging to the company and carried for its own account. During the last fiscal year, terminating on September 30, 1912, the company employed 81 vessels in connection with its business and carried 1,113,741 tons.

of which 359,686 tons of freight, or 32 per cent, consisted of general freight belonging to the public, and the remainder, or 68 per cent, consisted of bananas, miscellaneous fruit, and general merchandise belonging to and carried for account of the company.

During the first year of the company's business the largest ship employed in connection with its business had a tonnage of about 2,000 tons and a capacity of 35,000 bunches of bananas. In the early years of its business practically all the company's ships were chartered from Norwegian or other foreign owners, but in order to obtain vessels properly adapted not only for bananas but also for general transportation business it has been necessary to build some 20 steamships, which are the largest and best of the company's line and have a total tonnage of 117,252 tons. The last steamer which has just been placed in the service and others now under construction each have a tonnage of over 8,000 tons and a capacity of 70,000 bunches of bananas, with a corresponding increase in the amount of space available for other cargo. The total tonnage of ships now or about to be employed by the United Fruit Co. in the foreign commerce of the United States aggregates approximately 200,000 tons.

During the first year of the company's business the ships employed by the company had passenger accommodations for a total of 350 passengers. At the present time the ships so employed have passenger accommodations for a total of over 2,000 passengers. During the first year of the company's business the number of passengers carried was but nominal, while during the past year the total number of passengers carried by the United Fruit Co. was 24,783.

The United Fruit Co. has realized from its beginning that the most essential and important thing for the success of its business in the Tropics was to make adequate provision for its employees—i. e., to insure their good health by creating proper sanitary conditions in their surroundings. This policy is one of the chief reasons for the success of the company. It was followed by the United States Government in undertaking the construction of the Panama Canal, and is primarily responsible for the success of the construction of the canal by our own Government. The importance of this subject to the United Fruit Co. is apparent from the fact that it employs over 37,000 men in the Tropics in connection with its business.

In the various tropical countries where it is engaged in business the United Fruit Co. has constructed sewerage and drainage systems, installed water supplies, constructed ice plants, filled in low and swampy land, macadamized streets, built and maintained parks, and done various other work with the object of improving the local conditions at the cost of hundreds of thousands of dollars.

The company was largely instrumental in establishing in the Tulane University at New Orleans a department for the study of tropical diseases, the first of its kind in the United States, and it contributes substantially to the support of that department.

It has constructed or has under construction hospitals in various countries costing the aggregate amount of over \$300,000. During the past year over 63,000 cases have been treated in these hospitals, and over 17,000 of those were for patients who were not employees of the company. The total cost of operation of the Fruit Co.'s hospital service for the last year alone was \$240,000.

It is a great source of gratification to us that the Surgeon General of the United States Public Health Service has stated that the de-

partment looked upon the United Fruit Co. as a model of progressive action on the part of steamship companies in public health work, and drawing attention to the eminent value of our efforts in ship interests. We also have letters of a similar nature from almost every health organization in our Southern States.

During the past year we have not had a single case of any disease subject to quarantine appear in any port where our company is engaged in business, nor have we had a single case appear on any of the ships in our service. This final excellent result is attributed to our policy of proper sanitation and hospital service, and the results speak for themselves, especially when one considers that we were surrounded last year by infection, including yellow fever and the dreaded plague itself. Not only has our policy benefited the United Fruit Co., but it has been of inestimable value to merchants of the United States and others whose business in the Tropics has required their presence there.

The United Fruit Co. has also constructed modern and sanitary homes for its employees at an expenditure of many thousands of dollars. It has also constructed and maintains schools in Banes, Bocas, Costa Rica, Guatemala, Jamaica, and Cuba, with accommodations for a total of over 500 pupils.

So far with reference to the efforts of the United Fruit Co. to rid our Central and South American trade of the restrictions and impediments resulting from the contagious and infectious diseases prevailing in the Tropics and to provide for the company's employees, we come now to a consideration of the more material development of the resources of those countries by the operations of the company.

At the end of the first fiscal year of the Company's business the total acreage of lands owned and leased by the United Fruit Co. in the West Indies and Central America aggregated 236,201 acres, of which 66,294 acres were under cultivation; at the close of the last fiscal year of the company the total acreage of lands owned and leased by the Fruit Co. was 852,560 acres, of which 221,837 acres were under cultivation. In connection with acquiring property, clearing forests, creating plantations, constructing railroads, and other works of various kinds, the United Fruit Co. has expended, in cash, toward the development of tropical America the total sum of \$190,000,000.

During its first year the United Fruit Co. did not produce a single pound of sugar; during the last year the company produced at its mill at Banes, Cuba, 144,247,580 pounds of sugar. This is not the result of absorbing or purchasing other companies engaged in the sugar business, but is a business built up solely by the United Fruit Co. The company's sugar equipment is in excellent condition, and even now we are devoting our energies to the development of a new process of making sugar, which, we trust, may result in a substantial reduction in the price of sugar.

During the first year of the company's existence the total amount of merchandise purchased in the United States for export to foreign countries for use in connection with the company's business amounted to \$754,506; during the last fiscal year of the company this extremely important item to merchants of the United States amounted to \$4,020,660.

While the United Fruit Co. has been engaged in increasing and perfecting its own business, it has not been necessary either to at-

tempt to gain the entire trade in bananas or to resort to any other methods of competition than are to be expected and encouraged in proper and usual conditions of trade. Accordingly, while the number of bananas imported by the company has increased from 11,000,000 bunches during its first year to approximately 25,000,000 bunches during the last fiscal year, the importations of others, as closely as we can estimate, has increased from about 5,000,000 bunches in 1900 to over 17,000,000 bunches in 1912. It also seems safe to state that the number of such other persons and companies engaged in importing bananas has probably increased and certainly is no less than prior to the company's organization.

The United Fruit Co. has been and is one of the chief factors in increasing the trade relations between the United States and Central America and the West Indies. Not only has it directly created extensive commerce, but indirectly it has assisted others by according superior passenger and freight accommodations to merchants of the United States, enabling them to visit and ship goods to many countries, some of which until recently were comparatively unknown in the United States. The fact that the company's own business moves from the Tropics to the United States makes available on the return trip a large amount of space for goods exported by merchants of the United States to the various countries served by its steamship lines. Its steamships ply between the ports of Boston, New York, Philadelphia, Baltimore, Charleston, New Orleans, Mobile, and Galveston and ports in Jamaica, Guatemala, British and Spanish Honduras, Costa Rica, Panama, and Colombia.

In order to foster and develop trade between the United States and Central America, the United Fruit Co. has also on various occasions, at a great cost and expense to itself, compiled and published for free distribution among the merchants of the United States business directories giving the names and classified lists of the merchants in Central America. It has disseminated other information, and has done everything it could to assist merchants who were contemplating extending their business to Central America. It has also made a special effort to assist commercial travelers and merchants in developing this business. The result of these activities by the United Fruit Co. has been extremely gratifying. The following tabulated statement which is taken from the records of the New Orleans Board of Trade, which in turn was taken from the customs records, gives some idea as to the results obtained in a single port of our country, due largely to the efforts of the United Fruit Co.:

Exports to the West Indies and Central America from New Orleans.

Country.	1900	1911
British Honduras.....	\$244,247	\$1,266,320
Guatemala.....	58,343	862,746
Spanish Honduras.....	403,828	1,205,668
Nicaragua.....	936,825	904,837
Costa Rica.....	354,269	993,190
Panama.....		3,616,668
Mexico.....	595,044	3,836,534
Cuba.....	1,817,583	5,223,695
Total.....	4,410,139	17,909,658

This statement would not be complete in showing the effect of the United Fruit Co. on foreign commerce if time were at least not taken to mention its extensive wireless-telegraph system which it has established and maintains from the United States to Central and South America, and the lighthouse service which was inaugurated by it along the coast of Central America. It has constructed and established lighthouses at Puerto Barrios, Guatemala; Punta Gorda, Utila Island, and False Cape, Honduras; and Bocas del Toro, Panama, in addition to which it has marked with beacons and lights the harbor entrances to many Central American ports. These facilities, of course, redound not only to its own benefit but to commerce at large.

In a recent address delivered in Boston, Hon. John Barrett, the Director of the Pan American Union and a recognized authority on Central and South America, declared that the United Fruit Co. was one of the most important factors in creating and developing commerce between the United States and Central America, something which is so essential to the prosperity and welfare of all concerned. Certainly, the immense trade of the United Fruit Co., which has been originated and developed to the present extent, does not appear to have been detrimental to foreign commerce, and, on the other hand, it is recognized as one of the most beneficial influences in the development of the foreign commerce of the United States.

Attention has already been called to the increase of some 14,000,000 bunches in the number of bananas of the United Fruit Co. sold in this country during the last fiscal year more than in the first year of its existence, and also to a similar increase of 12,000,000 bunches in the bananas sold by others in the United States.

As regards the effect of the methods of the United Fruit Co. upon the wholesale and retail fruit business of the United States, the company does not engage in the retail business, and the number of wholesale dealers to whom its bananas are sold has increased over 40 per cent since the year the company started in business. The dealings of the company with its customers are extremely satisfactory, and no more eloquent testimony can be furnished than the fact that the percentage of loss from disputes, disagreements, and bad debts during the last fiscal year was less than 0.03 of 1 per cent on gross sales.

The company receives no discriminations from railroads whatever. It pays the regular rates of freight, and never has received any rebate or anything of the kind. Among the railroads which carry its large product may be mentioned the following: Boston & Maine, Boston & Albany, New York, New Haven & Hartford, New York Central, Pennsylvania, Delaware, Lackawanna & Western, Lehigh Valley, Philadelphia & Reading, Baltimore & Ohio, Illinois Central, Southern Pacific, Texas & Pacific, Louisville & Nashville, Mobile & Ohio, New Orleans & North Eastern, Atlantic Coast Line, Southern Railway, Canadian Pacific, Grand Trunk, Chicago, Milwaukee & St. Paul, Chicago, Burlington & Quincy, St. Louis & San Francisco, Wabash, New York, Chicago & St. Louis, Seaboard Air Line, and Chicago, Rock Island & Pacific.

The traffic of the United Fruit Co. is not only of great value to the railroads, but also to other shippers. The total weight of the company's business handled in the United States during the year 1912 was over 1,167,000,000 pounds, or 583,500 tons. All of this was not

transported by rail, but a very great proportion was, and, as the haul is usually long and in the opposite direction to the bulk of railroad traffic, it is obvious how valuable the business is to the railroads and how it necessarily has a most important bearing in the reduction of freight rates for other traffic, such as meats shipped to the seaboard for export.

Undoubtedly the most important effect of the United Fruit Co. on the inland commerce of the United States is that it is largely responsible for the fact that the banana, which was formerly a luxury, has become recognized as one of the necessities of life and can now be had at a price within the reach of all. It can be stated with positive assurance that, while practically all other necessities of life have largely increased in price during the past 10 years, bananas are to-day as cheap as ever.

The retail price of bananas to-day ranges from 10 to 25 cents a dozen, making it the cheapest fruit on the market to-day. When the company first entered into business there were many points in the United States where the banana was comparatively unknown, but where to-day it may be purchased at a price only slightly in advance of that which prevails at the seaboard. This is largely due to superior methods of cultivation, transportation, and handling introduced and practiced by the United Fruit Co. Moreover, the quality of the fruit to-day has greatly improved over that of 10 years ago. It is also true that to-day the banana is used as a cooked vegetable, whereas formerly it was only regarded as a fruit. The importance which the banana takes to-day in keeping down the already high cost of living is being generally recognized. For example, I quote the following from the report of the American consul in Jamaica which appeared in the Daily Consular and Trade Reports, issued by the Department of Commerce and Labor, on December 26, 1912, to wit: "As all the conditions seem to be favorable for a greatly enlarged production of bananas, and as the highly nutritive qualities of this fruit are becoming more generally recognized, it is encouraging in this day of high cost of living to have good reasons for believing that the banana is destined to play no small part in meeting the world's insistent demand for a larger and cheaper supply of wholesome food."

In conclusion, we wish to refer briefly to the whole broad question of American interests in Central and Northern South America. The strategic position and influence of the United States, in so far as the State, Navy, and War Departments are concerned, has been, and is being, most ably directed by the Government, but the important question of the commercial influence of the United States with these countries will not show a result consistent with the efforts our Government is making unless those efforts are supplemented by genuine commercial relations with these countries. With some minor exceptions, the United Fruit Co. is to-day the only effective medium of distinctly American trade relations with the countries concerned. The rivalry, both in the exchanges of merchandise and the means of transportation with the European countries is so acute, and the determination of certain of our European friends not to let go of their commercial supremacy in that part of the world is so intense, that no company less powerful than the United Fruit Co. could for a moment stand up against European competition. The fact that the

company is in the tropical countries an enormous producer of freight for its own ships helps the company to operate its ships and develop American trade in both directions in a way which under other conditions would be absolutely impossible. It is not to be forgotten that the chief competitors of the United Fruit Co. are foreign companies reported to be supported either by substantial subsidies or powerful governmental cooperation.

In further conclusion, I would say, Mr. Chairman, that as president of the United Fruit Co. I am not thoroughly posted, so to speak, as to the details of many technical things concerning the freight traffic. However, as I wished to give this committee all the facilities at our command, I have with me here to-day our traffic manager, who will be very glad to answer any questions as to details of freight handling, and so forth.

Mr. Post. What is your capital stock?

Mr. PRESTON. The capital stock is \$36,000,000.

The CHAIRMAN. As I understand you, the United Fruit Co. was incorporated under the laws of New Jersey in 1899?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. With a capital stock of how much?

Mr. PRESTON. Approximately \$11,000,000.

The CHAIRMAN. Now, shortly after its incorporation, the company acquired the property and shares of two groups of banana companies, did it not?

Mr. PRESTON. It did.

The CHAIRMAN. Can you name them?

Mr. PRESTON. The first referred to in our statement—

The CHAIRMAN. The first is the Boston Fruit Co., is it not?

Mr. PRESTON. The first is the Boston Fruit Co.; second, the American Fruit Co.—

The CHAIRMAN. Then its subsidiary companies, organized and controlled by it, were the American Fruit Co.—

Mr. PRESTON. The American Fruit Co., the Banos Fruit Co., the Dominican Fruit Co., the Fruit Despatch Co., which is the southern agency, the Quaker City Fruit Co., and the Samana Fruit Co.

The CHAIRMAN. The Samana Fruit Co., the Dominican Fruit Co., and the Banos Fruit Co. were organized and conducted for what purpose?

Mr. PRESTON. Largely for the production of bananas. Their property was located in places indicated by the name—the Banos Fruit Co. in Banos, Cuba, and the Dominican Fruit Co. in San Domingo, and the Samana Fruit Co. also in Cuba.

The CHAIRMAN. Well, they were organized for the purpose of owning plantations and growing bananas. Were they also transporters of fruit?

Mr. PRESTON. They were not. The Boston Fruit Co. at the time chartered the ships and charged them the regular freight. They chartered them for their business.

The CHAIRMAN. The transportation was done by the corporation known as the Boston Fruit Co.?

Mr. PRESTON. Yes; at the time.

The CHAIRMAN. And these other companies were owned or controlled by the transportation company, the Boston Fruit Co.?

Mr. PRESTON. The Boston Fruit Co.

The CHAIRMAN. Now, the American Fruit Co., the Buckman Fruit Co., and the Quaker City Fruit Co. were also organized to transport bananas from Cuba, San Domingo, and Jamaica, and to import them into the United States, were they not?

Mr. PRESTON. They were. They were organized as trading companies, the ships bringing their fruit for bookkeeping purposes and keeping the affairs separate.

The CHAIRMAN. I am referring to conditions as they existed at the time the United Fruit Co. was organized. The American Fruit Co. was a subsidiary of the Boston Fruit Co.?

Mr. PRESTON. That is right.

The CHAIRMAN. Also the Buckman Fruit Co. and the Quaker City Fruit Co. were engaged in transporting freight from Cuba, San Domingo, and Jamaica to the United States, and also had a sailing agency, did they not?

Mr. PRESTON. They were their own sailing agents.

The CHAIRMAN. They were also distributors and sailing agents. Now, the Boston Fruit Co. imported fruit into what city?

Mr. PRESTON. Boston.

The CHAIRMAN. And it was distributed from Boston. The American Fruit Co. imported it where?

Mr. PRESTON. Into New York.

The CHAIRMAN. And the Quaker Fruit Co.?

Mr. PRESTON. Philadelphia.

The CHAIRMAN. And the Buckman Fruit Co.?

Mr. PRESTON. Baltimore.

The CHAIRMAN. Now, the Boston Fruit Co. furnished the American Fruit Co., which did business in New York; the Quaker City Fruit Co., which did business in Philadelphia; and the Buckman Fruit Co., which did business in Baltimore, as I understand, all the fruit that was imported and sold by them?

Mr. PRESTON. All that was imported and sold by them from Jamaica.

The CHAIRMAN. That is to say, from its own plantations or bananas contracted for in Cuba, San Domingo, or Jamaica?

Mr. PRESTON. Yes; that is right.

The CHAIRMAN. In other words, these three companies were branches of the Boston Fruit Co.?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. And these were the companies engaged in the transportation of bananas from Jamaica, Cuba, and San Domingo to the several ports mentioned?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Were there any others?

Mr. PRESTON. Oh, yes. I do not know that I could name them all, but there were quite a number. I should have to refresh my memory to give you the rest of them, but I would be very glad to do so if it is important.

The CHAIRMAN. Well, these were the principal companies, were they not, engaged in that business. You might say the Boston Fruit Co. was the company engaged in the business at the time the United Fruit Co. was organized, and conducted the business indirectly or through these subsidiary companies named?

Mr. PRESTON. Yes.

Mr. HARDY. At that time were the New Orleans and the Gulf coasts engaged in that transportation generally, in connection with this Boston company?

Mr. PRESTON. No, sir.

The CHAIRMAN. Now, as I understand it, there is also the Fruit Despatch Co. By whom was it organized and wholly owned?

Mr. PRESTON. It was organized by the Boston Fruit Co. and its entire stock owned by them. It was simply a name of an organization which sold the fruit to the interior points, and was in charge of that department of our business.

The CHAIRMAN. That was the condition at the time the United Fruit Co. was organized?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Then, there was another group, as I understand, from your report, consisting of the Colombian Land Co. (Ltd.), the Snyder Banana Co., the Tropical Trading & Transportation Co. (Ltd.), which procured their supplies of bananas from Costa Rica and Colombia, and imported them almost exclusively to gulf ports and sold the same in the southern and western parts of the United States?

Mr. PRESTON. That is correct.

The CHAIRMAN. That was the condition of the southern and western parts of the United States at the time the United Fruit Co. was organized. What were the Colombian Land Co. and the Tropical Trading & Transportation Co.?

Mr. PRESTON. Largely transportation companies.

The CHAIRMAN. Were they American corporations?

Mr. PRESTON. No; they were foreign.

The CHAIRMAN. British?

Mr. PRESTON. I think they were all British. Well, no; the Snyder Banana Co. was a New Jersey corporation.

The CHAIRMAN. I was speaking about the Colombian Land Co. (Ltd.), and the Tropical Trading & Transportation Co. (Ltd.)?

Mr. PRESTON. They were both British corporations.

The CHAIRMAN. I understand they were exclusively plantation companies—owning plantations in Colombia and Costa Rica—is that a fact?

Mr. PRESTON. That is correct.

The CHAIRMAN. Did they have any transportation agencies? If so, what were they?

Mr. PRESTON. They had arrangements for shipping fruits by other steamship lines, more especially the Atlas Line of the Hamburg-American. That was the condition at the time the Hamburg took it over, however, and, I think, through Mr. Keith, that they had other ships chartered. Just what their arrangements might have been with him I am not familiar, but Mr. Keith seemed to be their representative in doing the business. He was a large owner in both of the companies.

The CHAIRMAN. All these companies that I have mentioned, when the United Fruit Co. was organized, were taken over and absorbed by the United Fruit Co., were they not.

Mr. PRESTON. Yes, sir.

The CHAIRMAN. They were all the companies producing bananas or companies engaged in the transportation of bananas and the com-

panies engaged in the sale and distribution of bananas, mentioned by me, absorbed and taken over by the United Fruit Co.?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Both on the Atlantic coast and the Gulf coast? Just tell us, please, what was left after the United Fruit Co. had absorbed these other concerns trading into Boston?

Mr. PRESTON. There was a concern in Cuba of private individuals, who were shipping their fruit on commission to parties by the name of Noyes, who sold it on commission.

The CHAIRMAN. Is he in business to-day?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. In Boston?

Mr. PRESTON. In Boston.

The CHAIRMAN. Where does he get his fruit?

Mr. PRESTON. On consignment from what is now known as the Atlantic Fruit & Steamship Co.

The CHAIRMAN. The United Fruit & Steamship Co. Does that company belong to the United Fruit Co., or is it controlled by it?

Mr. PRESTON. Not at all.

The CHAIRMAN. Did it belong to the United Fruit Co. at one time?

Mr. PRESTON. We had a half interest in it at one time.

The CHAIRMAN. When did that interest and control commence, and when did it end?

Mr. PRESTON. I am unable to give you the exact dates. [After conferring with associate.] It was bought in 1905 and sold in 1910.

The CHAIRMAN. What kind of a concern was that? Was that an owner of plantations and a grower of bananas?

Mr. PRESTON. I think it claimed to have small plantations.

The CHAIRMAN. Where?

Mr. PRESTON. In Cuba and Nicaragua.

The CHAIRMAN. You say it claims to have. Do you know?

Mr. PRESTON. I do not know of my own knowledge. It is simply reported to have them.

The CHAIRMAN. Who was the president of that?

Mr. PRESTON. Joseph di Giorgio.

The CHAIRMAN. I believe you say you sold the stock in 1910?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Can you tell the committee why you disposed of the stock in that concern?

Mr. PRESTON. We sold it to the president of the concern. It was rather difficult to harmonize his methods of doing business with our own.

The CHAIRMAN. Did this company own any ships?

Mr. PRESTON. They did not.

The CHAIRMAN. Do they charter ships?

Mr. PRESTON. They chartered ships, but did not own any.

The CHAIRMAN. It was engaged in transporting fruit from Cuba and these other—

Mr. PRESTON. It was.

The CHAIRMAN. These other southern ports. Did it engage in the general transportation business, freight and passengers?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Did you fall out on account of freight rates?

Mr. PRESTON. Nothing of the kind. It was largely a matter of distributing fruit.

The CHAIRMAN. Well, what do you mean by that? Give us some idea.

Mr. PRESTON. I mean by that his methods of conducting his fruit sales and the large risks that he was willing to take on his books, and give them credit, was not anything that would harmonize with our own views. We had no wish—speaking frankly—we had no wish to be troubled with that additional part of the business.

The CHAIRMAN. What part of the business does that company do that was not done by the United Fruit Co.?

Mr. PRESTON. There was none, except their methods of doing it—business reasons.

The CHAIRMAN. You did not like their methods. They were engaged in the same business you were engaged in?

Mr. PRESTON. Exactly.

The CHAIRMAN. In the growing of fruit and the transportation and the sale of fruit?

Mr. PRESTON. Yes.

The CHAIRMAN. And you acquired the company, in the first instance, for that reason, did you not?

Mr. PRESTON. No; we acquired it first, rather to keep them from insolvency.

The CHAIRMAN. Did you have any such fraternal interest in them as to want to keep them from insolvency?

Mr. PRESTON. We could see that, if their liabilities were such, a great deal of harm could be done in the Tropics, which would injure the name of the fruit company in those countries, and we believed that we could induce those people to conduct their business in a way that would result in their making a fair return on the capital, and we are pleased to say that it did.

The CHAIRMAN. They were in active competition with you and hurting your business. Was not that the reason you took them over?

Mr. PRESTON. No, sir.

The CHAIRMAN. Just to support their credit?

Mr. PRESTON. Support their credit and support the good name of the fruit business, in its broadest sense. It was a benefit to the people in the Tropics to whom they were indebted.

The CHAIRMAN. Purely a benevolent matter on your part?

Mr. PRESTON. I do not know that it was wholly benevolent on our part.

The CHAIRMAN. From a business standpoint, give us some reason why you took the company over.

Mr. PRESTON. That was the business standpoint.

The CHAIRMAN. Would it have hurt your credit if they become insolvent?

Mr. PRESTON. It would have affected everyone's credit; it would hurt the name of the fruit companies.

The CHAIRMAN. Did you not have a majority of the stock, or did you not acquire a majority of the stock?

Mr. PRESTON. I think we had 51 per cent—about one share over.

The CHAIRMAN. You had the control of the concern?

Mr. PRESTON. Practically.

The CHAIRMAN. If you were not satisfied with the methods of the concern and had the control, why did you not change the methods?

Mr. PRESTON. We did not wish to exercise our control.

The CHAIRMAN. Have you any good reason to suggest why you did not?

Mr. PRESTON. Well, it would have been more trouble for us to attempt to get those people into line, and I did not feel disposed to do it.

The CHAIRMAN. Was there any suggestion that in taking over the control of that company you were violating the Sherman antitrust law?

Mr. PRESTON. There was none.

The CHAIRMAN. Was that reason suggested at any of the meetings of the board?

Mr. PRESTON. I never heard of it.

The CHAIRMAN. You never were so advised by the counsel?

Mr. PRESTON. No, sir.

The CHAIRMAN. And that was not the reason why you gave up the control?

Mr. PRESTON. Absolutely not.

The CHAIRMAN. About what proportion of the banana business or fruit business in Boston is done by the Atlantic Fruit & Steamship Co.?

Mr. PRESTON. I am unable to give it to you from memory.

The CHAIRMAN. Is it not a nominal amount?

Mr. PRESTON. I think they may have had 12 or 15 steamers during the season.

The CHAIRMAN. And how many bunches?

Mr. PRESTON. They average perhaps 20,000 to 25,000 to each ship.

The CHAIRMAN. How?

Mr. PRESTON. Twenty to twenty-five thousand stems to each ship.

Mr. WILSON. That means bunches of bananas?

Mr. PRESTON. Yes.

The CHAIRMAN. From 20,000 to 25,000. What would you say as to the quantity of bananas the United Fruit Co. takes into Boston?

Mr. PRESTON. I could not give you those figures from memory. I think our importations might reach four and one-half million to five million bunches a year.

The CHAIRMAN. So that this is a mere bagatelle as compared with the importations by the United Fruit Co.?

Mr. PRESTON. Into Boston?

The CHAIRMAN. Yes.

Mr. PRESTON. I beg your pardon. May I ask if you understood me correctly as to the quantity imported into Boston by the Atlantic Fruit & Steamship Co.? It is 25,000 bunches total; that is, 25,000 each ship for 12 ships.

Mr. HARDY. Do you mean by that it was 25,000 per annum?

Mr. PRESTON. Twenty-five thousand—I stated that there were approximately 12 to 15 ships or cargoes, and each cargo is represented by 25,000 bunches of bananas.

Mr. HARDY. That is what I understood.

Mr. PRESTON. That is right.

Mr. WILSON. Makes it approximately 300,000 bunches per annum?

Mr. PRESTON. Yes.

The CHAIRMAN. Since 1910 there has been active competition between the Atlantic Fruit & Steamship Co. and the United Fruit Co!

Mr. PRESTON. Yes.

The CHAIRMAN. From what ports and to what ports?

Mr. PRESTON. From Jamaica to Boston, Jamaica to New York, Jamaica to Philadelphia and Baltimore, from Port Limon in Costa Rica, and Santa Marta, in Colombia, to New York, frequently I think.

The CHAIRMAN. What is the capital of the Atlantic Fruit & Steamship Co.?

Mr. PRESTON. I think their last statement shows about \$11,000,000. I am not sure on that point.

The CHAIRMAN. Is that an American corporation?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Organized under the laws of the State of Delaware, I believe. Do you know what interests control it?

Mr. PRESTON. No; I do not, at the present time.

The CHAIRMAN. Well, since your company ceased to control it?

Mr. PRESTON. No; I have only hearsay knowledge as to that.

The CHAIRMAN. What is your information?

Mr. PRESTON. The truth is that it varies so much it is pretty hard to fix it. First one party has control and then another. It is in the process at the present time, I believe, of reorganization, with the reported control of the company in Canada. That is my latest information.

The CHAIRMAN. Have you any information to the effect that it was controlled by the Hamburg-American Co.?

Mr. PRESTON. No, sir; I never heard that rumored.

Mr. STEPHENS. Mr. Chairman, one question. Mr. Preston, you say that your company owned 51 per cent of that Boston company from the year 1905 to the year 1910?

Mr. PRESTON. The Atlantic Co., you mean?

Mr. STEPHENS. Yes.

Mr. PRESTON. Yes, sir.

Mr. STEPHENS. Why did you dispose of that stock?

Mr. PRESTON. We had serious disagreements as to their methods of doing business. Their reports were not as satisfactory and complete as we wished. Our treasurer felt that, speaking frankly, it was open to suspicion as to whether or not it was absolutely correct.

Mr. STEPHENS. Did you dictate the policy of the company, owning 51 per cent of it?

Mr. PRESTON. We did not. While we had nominal control, we never exercised it.

Mr. STEPHENS. If you thought it good policy and good business to buy up 51 per cent of the stock of the company, how did you come to change your mind as to its being a good policy with the control entirely in your hands?

Mr. PRESTON. We had built the company up—we took it in an insolvent condition—through a matter of pride to build up the fruit trade as a whole, and we were successful. The five years that they operated with us we advised them as best we could, a portion of which advice they took and a portion declined. So we did not control the operations of the company, and we had placed them in a

satisfactory commercial shape, and I felt it was best to let them take the business and carry it on as it was.

Mr. STEPHENS. Then, it no longer worried you?

Mr. PRESTON. No, sir. We speak of the severe competition. There was no personal friction in the matter at all, or disagreements—that is, we were working on the ordinary friendly business terms, each trying to get the best we could after we disposed of our holdings.

Mr. STEPHENS. When you disposed of your 51 per cent you were not disturbed by this company at all? I mean the reason for your selling it was that they were no longer disturbers in your business, and therefore you were willing to sell, and did sell them 51 per cent of their stock?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. At the time you took over the majority stock of the Atlantic Fruit Co., as you said, on account of their bad financial condition, is it true or is it not true that they were reduced to that condition by the war that you had made on them?

Mr. PRESTON. I think not.

The CHAIRMAN. Your company?

Mr. PRESTON. I think not.

The CHAIRMAN. Is not that their complaint?

Mr. PRESTON. I never heard that it was.

The CHAIRMAN. That it was a merciless system of competition against the Atlantic Co. that finally reduced them to the necessity of selling a majority of their stock to you, and that it was held by you until in after years, Mr. Di Giorgio, if that is his name, finally managed to get back a majority of the stock, and since then he has been struggling against this same fierce competition on the part of the United Fruit Co.?

Mr. PRESTON. That is an absolutely false statement in every respect.

The CHAIRMAN. You never were competitors, then?

Mr. PRESTON. Certainly; if we are in the same business we would naturally be competitors, but we are not merciless competitors, and we never exercised our right or our might to crush out anyone in the business. I think I can bring statements from people who are now in the business to verify that.

The CHAIRMAN. We are bringing your attention to these matters so that you can answer these charges.

Mr. PRESTON. Certainly.

The CHAIRMAN. We have no information on the subject, or proof whether or not it is true.

What other company imports fruit into New York beside the United Fruit Co.?

Mr. PRESTON. There is the Cuneo Fruit & Importing Co.

The CHAIRMAN. Is the Cuneo Fruit & Importing Co. a corporation?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Does it own or charter ships?

Mr. PRESTON. I think it has a part ownership in one steamer, and I think it charters the others.

The CHAIRMAN. How many ships does it employ?

Mr. PRESTON. I do not know.

The CHAIRMAN. Do you know the amount of its importations?

Mr. PRESTON. I think they have two cargoes a week.

The CHAIRMAN. From what ports to New York?

Mr. PRESTON. They import from Cuba and Jamaica. I think those are all the ports.

The CHAIRMAN. I understand the Atlantic Fruit & Steamship Co. also imports to New York?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Can you mention any others except the Cuneo Fruit & Importing Co. and the Atlantic Fruit & Steamship Co. as importers of bananas to New York from Cuba?

Mr. PRESTON. No, sir; not that have established a regular business there.

The CHAIRMAN. Does the Atlantic Fruit & Steamship Co. import for the Cuneo Fruit & Importing Co.—if that is the correct name?

Mr. PRESTON. No, sir; it does not.

The CHAIRMAN. They import their fruit independently?

Mr. PRESTON. Independently.

The CHAIRMAN. You can not state how much fruit they import a year into New York, can you?

Mr. PRESTON. I am unable to give you accurate figures.

The CHAIRMAN. In proportion to the importations by the United Fruit Co.?

Mr. PRESTON. I should assume it might approximate 2,000,000 bunches a year.

The CHAIRMAN. How many bunches does the United Fruit Co. import?

Mr. PRESTON. I have not those figures with me at the present time.

The CHAIRMAN. Can you give them?

Mr. PRESTON. It would be in excess of that. I should think possibly 4,000,000 bunches.

Mr. STEPHENS. Four million bunches, or four million in excess?

Mr. PRESTON. Four million bunches.

The CHAIRMAN. You have statistics from which you can ascertain the importations accurately, have you not?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. At all these ports?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. We should be very glad to have them. What other company besides the United Fruit Co. imports bananas to Philadelphia?

Mr. PRESTON. The Atlantic Fruit Co. imports there.

The CHAIRMAN. Any others?

Mr. PRESTON. I do not recall any that import regularly. At the height of the season they are dodging in, so to speak, from other countries, shipping into the different markets.

The CHAIRMAN. What company other than the United Fruit Co. imports into Baltimore?

Mr. PRESTON. There is the Atlantic Fruit Co. and the Lanassa, Goffe Co.

The CHAIRMAN. Is it just a selling company, or is it a transportation company as well?

Mr. PRESTON. It is a company that charters its own ships, buys its fruits in the Tropics, brings them to Baltimore, and sells them in the Baltimore market for general distribution.

The CHAIRMAN. Can you state about what quantity?

Mr. PRESTON. No; I can not from memory; but if it is necessary, I can obtain all those figures by wiring for them.

The CHAIRMAN. Can you tell the committee what quantity the United Fruit Co. imports, or will you have to furnish that information later on?

Mr. PRESTON. I could not subdivide our importations in that manner from memory. I can give the aggregate; but if it is necessary, I can give you any information you may require in that respect.

The CHAIRMAN. At what other ports on the Atlantic seaboard does the United Fruit Co. import?

Mr. PRESTON. Charleston. We do a small business in Charleston a portion of the year. In the most favorable months of the year we run one steamer a week into that port, with possibly an average cargo ranging from 20,000 to 25,000 stems each week. In years past we have sometimes operated there for six months and sometimes for nine months. It has been very irregular, depending on the supplies of fruit in the Tropics and the condition of the market here.

The CHAIRMAN. What other company imports?

Mr. PRESTON. None that I know of at the present time.

The CHAIRMAN. Has the United Fruit Co. any interest in the Cuneo Fruit Co. or the Lanassa, Goffe Co.?

Mr. PRESTON. None whatever.

The CHAIRMAN. Either by ownership or control, directly or indirectly?

Mr. PRESTON. It has absolutely no ownership or interest whatever to-day in any other banana company in the United States.

The CHAIRMAN. These different companies are not operating under any form of agreement with your company, are they?

Mr. PRESTON. Absolutely not.

The CHAIRMAN. Friendly or otherwise?

Mr. PRESTON. Absolutely not.

The CHAIRMAN. With reference to regulating the quantity of fruit imported?

Mr. PRESTON. No, sir.

The CHAIRMAN. Or the price at which it is to be sold, or anything of that sort?

Mr. PRESTON. There is a peculiarity of the banana business that is not generally understood in that respect. Where we are producing in the Tropics probably 80 per cent of our product, and where we buy steamships to move that product—charter steamships on several years' time to move it—you can readily see that the goods grow, and they must be moved. We move them north, and the nature of the goods prohibits any manipulation in prices. They must be sold on on arrival and sold very quickly—within 24 hours after arrival. They must be placed in the markets and marketed at the best obtainable price, so that physically it is impossible to manipulate the prices on bananas, and it would be suicide to attempt to control the quantity reaching different ports for that purpose, because what you would gain on one hand you would lose on the other. When the bananas reach maturity they must be cut.

Mr. WILSON. I was noticing in your prepared statement, Mr. Preston, that the United Fruit Co. owns 852,560 acres, of which 66,294 acres were under cultivation. Has it been the policy of the United

Fruit Co. to secure control of the plantations and thereby control the business at its source?

Mr. PRESTON. No; the reason for the control of a large part of the output is this—clearly a commercial one—and that also relates back to the condition of the banana. The bananas are sold by weight in the United States, and if they were bought in the open market in times of greatest demand the people would bring in fruit grown three-quarters. That is, the banana itself is grown to full three-quarters growth—filled out. That is the standard there. Of course in times of greatest demand and activity there they bring in their fruit just as light as they can and let it pass. That makes a great difference at this end where the fruit is sold by weight, because the difference can easily be made 10 pounds less to a large bunch. The weight at the producing point would be the same, and the prices here would represent 20 cents difference on the bunch, which is a tremendous difference. We buy by the bunch and sell by weight. So that it is very important to control the quality of the fruit you handle. And that is also true as to its keeping qualities. If you have your own plantations, and the bananas are cut under your own supervision, you get a uniformity of fullness in the fruit which is very essential. It is a matter of fact that if there are a few bunches of full fruit put in a thousand that heats up the whole—it is very detrimental to it all. And as the carriage of fruit in the green state is the thing desired, that ripeness defeats your object. So there are very strong commercial reasons why a company should perfect its business and keep it in the most reliable shape, eliminating as many of the hazardous features as possible, and should control the cutting of the fruit, which can only be done through ownership.

Mr. WILSON. Would not the commercial effect of the ownership of the plantations be that no other transportation or selling company could step in and get any portion of the business at all?

Mr. PRESTON. Oh, gracious; there is land enough there for everyone. You can not monopolize the land; that is entirely out of the question. Those areas are very large down there.

Mr. HUMPHREY. You buy it from independent owners, don't you?

Mr. PRESTON. It is the custom down there to make contracts running for two, three, or five years, in which the company agrees to take all the bananas that party will produce, as they are produced, at a fixed price.

Mr. WILSON. As I understand it, however, there is only about 20 per cent of your business that is done that way, and there is 80 per cent that comes from your own plantations?

Mr. PRESTON. That was about the position at the close of the last fiscal year.

Mr. WILSON. Now, no other steamship company could secure any portion of that 80 per cent? They might be competitors for the other 20 per cent, but not for the 80 per cent?

Mr. PRESTON. Unless they bought property and followed our course. Of course, that is open to them if they choose to take the chances. The land that we own in the Tropics does not monopolize the banana land. There are enormous quantities of it there.

Mr. HARDY. I presume your policy has been to buy up properties that you thought you could make profitable?

Mr. PRESTON. We do our business entirely for profit. Whenever we see we can make a dollar we do it.

Mr. HARDY. And if you found a banana plantation improved and running properly that would be a plantation you might lease?

Mr. PRESTON. I do not know that we would lease any plantations in the strict meaning of the word "lease." We make a contract for their area, in which we agree to take all their fruit at a fixed price.

Mr. HARDY. As I understand your statement, you have six hundred and some odd thousand acres, and those leased?

Mr. PRESTON. That is referring to the whole business. That is an old custom we have had principally in Jamaica. The properties were owned principally by people living in England, and long before even the Boston Fruit Co. was formed they had a fashion down there of leasing their properties to individuals, and it had escaped my mind that we did lease some of these properties. The modern method, and the method in Central America is different—I do not know that we have any properties leased in that way. I think Jamaica is the only exception.

Mr. HARDY. What proportion of your holdings in Jamaica are under lease and what proportion do you own?

Mr. PRESTON. I have my annual report here. I think I shall be able to answer that question very accurately. [After referring to report.] There are 12,535 acres in Jamaica under lease; 34,000 is the total owned, and 12,535 leased in addition to that.

The CHAIRMAN. To what pages do you refer?

Mr. PRESTON. Page 17.

The CHAIRMAN. Now, along that line, is it or is it not true that the policy of your company has been, in Cuba, Jamaica, San Domingo, and Central America, to control the production of bananas, either by the ownership of plantations, or lease of plantations, or by contracts with the owners for the output? And state whether or not it is a fact that you are now in the position that you do control the production of bananas except just a very small quantity.

Mr. PRESTON. I think in some countries we have the control; in others we do not, but that control has not been obtained except in conducting our business legitimately with the view of supplying the markets we have created, and also for the employment of our steamship service and the employment of our capital.

The CHAIRMAN. In what countries now do you control the production of bananas?

Mr. PRESTON. As far as controlling the production is concerned, I assume you mean we take out the largest quantity from those markets—

The CHAIRMAN. Yes.

Mr. PRESTON. That would be Costa Rica, Guatemala, Santa Marta, and Panama—a place called Boca del Toro.

The CHAIRMAN. What other companies bring in fruit out of those countries?

Mr. PRESTON. Out of the countries mentioned?

The CHAIRMAN. Yes.

Mr. PRESTON. Well, the Atlantic Fruit Co. takes fruit out of Santa Marta and has been taking it out of Costa Rica. I think they have stopped now. Out of Panama there are no companies taking out fruit from there, from the fact that we made the place and planta-

tions ourselves out of a jungle, and we originated the place, and we have held it ever since.

Mr. HUMPHREY. What part of Panama is that?

Mr. PRESTON. It is Boca del Toro. It is near Chiriqui Lagoon.

Mr. HUMPHREY. What direction is it; along the coast from the Canal?

Mr. PRESTON. It is not.

Mr. HUMPHREY. Have you any plantations on the Pacific coast of Central America?

Mr. PRESTON. I think not.

The CHAIRMAN. Now, getting back to the Atlantic seaboard and the transportation of fruit: Your company has no other competitor than the Atlantic Fruit & Steamship Co.; is that not true? Unless it is an occasional tramp employed by that concern in New York.

Mr. PRESTON. Oh, yes; we have the Cuneo Co., in New York.

The CHAIRMAN. I say they employ tramp steamers occasionally. do they not?

Mr. PRESTON. I think they have an interest; I think they own one ship. It may not be all paid for, but I think you would find they are the registered owners of one banana steamer, at least. I do not know but there may be more.

The CHAIRMAN. How many banana steamers are owned by the United Fruit Co.?

Mr. PRESTON. How many banana steamers?

The CHAIRMAN. Yes.

Mr. PRESTON. Well, strictly speaking, there are none of the steamers we own.

The CHAIRMAN. Well, what steamers are controlled by the United Fruit Co. or engaged in the transportation of bananas?

Mr. PRESTON. Well, strictly speaking, the United Fruit Co. owns no steamers, but it has them under control through a subsidiary company which we organized, called the Tropical Fruit & Steamship Co., which is an English corporation. We financed it and control the ships; so, to all intents and purposes they are our ships. Legally, they are not.

The CHAIRMAN. How many of them are there?

Mr. PRESTON. There will be 25. There are 23 delivered now; there are 2 more to be delivered.

The CHAIRMAN. What company did you say has the legal title to those ships?

Mr. PRESTON. The Tropical Fruit & Steamship Co.

The CHAIRMAN. The Tropical Fruit & Steamship Co., and that is a subsidiary of the United Fruit Co.?

Mr. PRESTON. It is.

The CHAIRMAN. The stock is held by the United Fruit Co.?

Mr. PRESTON. Exclusively.

The CHAIRMAN. Now, how many other boats or steamers are controlled by the United Fruit Co., engaged in this trade?

Mr. PRESTON. Well, that varies a great deal from time to time during the year. At the height of the season, last year, including our sugar transportation and other ships, I think the maximum was just an even 100. But that will decrease at other times of the year. down to 60 or 65. It is difficult to state the number that are continually employed. There are not more, I should say, than some-

wheres about 40 ships in continuous service. The rest are in the service, some of them three months, some six months, and some nine months of the year.

The CHAIRMAN. I noticed in reading your statement that you referred to the efforts of your company to develop the sugar industry?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Where is that?

Mr. PRESTON. In Cuba.

Mr. BURKE. I would like to ask one question, Mr. Chairman, before we take our recess: What is the percentage of bananas owned and imported into this country by your company?

Mr. PRESTON. Well, that is something I made some figures on a while ago. I think perhaps I can give you that statement.

Mr. BURKE. Maybe you can answer that more readily after 2 o'clock.

Mr. PRESTON. I can answer it now, or at least I will try to. [After examining paper:] The total imports from the Tropics, by all parties, to the United States and continental ports during the past year are 47,889,000.

Mr. BURKE. Bunches?

Mr. PRESTON. Bunches—47,889,069, to be exact. The United Fruit Co. imported to the United States markets 23,754,500, which is 49.6 per cent. They also imported into the United States for Canadian markets—Montreal, and so forth—1,437,529, or 0.3 of 1 per cent. That is where I got the figures of approximately 25,000,000 when I made my statement. The competitors imported 17,338,000.

Mr. BURKE. I beg your pardon. Who did you say imported 17,000,000?

Mr. PRESTON. The competitors. That is, other importers; 17,338,000. We exported to the Continent 5,358,913, or 11.2 per cent. So the percentages, taking 47,889,000 as a whole, the United Fruit Co. imported into the United States markets 49.6 per cent; they exported to the Continent 11.2 per cent; they imported to Canadian markets 0.3 per cent, which makes 30,550,000, or 63.8 per cent. Others imported into the United States—I think the other imports to the Continent are given at 36.2 per cent, so that the United Fruit Co. put into United States markets, strictly, of that whole amount, 39.6 per cent.

Mr. THAYER. Was the 47,000,000 the amount imported into the United States?

Mr. PRESTON. No; shipped from all tropical ports.

The CHAIRMAN. Not only into the United States, but exported to Europe?

Mr. PRESTON. Yes; to Europe.

Mr. THAYER. The total imported into the United States was 22,000,000?

Mr. PRESTON. Twenty-three million three hundred and fifty-four thousand we put into the United States and our competitors brought in 17,338,000.

Mr. THAYER. That was for the United States consumption?

Mr. PRESTON. Yes.

Mr. THAYER. So that for United States consumption there was only 40,000,000, in round numbers?

Mr. PRESTON. In round numbers, 40,000,000.

Mr. THAYER. So that you imported nearly 60 per cent into the United States?

Mr. PRESTON. Yes. Seven millions—nearly eight millions—went to—

Mr. THAYER. Yes; I understand. That would make two and one-half times 23,000,000 for United States consumption?

Mr. PRESTON. That is right.

Thereupon, at 12.15 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened pursuant to the taking of recess.

TESTIMONY OF MR. ANDREW W. PRESTON—Continued.

The CHAIRMAN. Mr. Preston, we will take up the service into other ports. I think the last one you mentioned was Charleston. You said the United Fruit Co. was the only importer into Charleston. What companies are importers of fruit on the Gulf, say, to Mobile?

Mr. PRESTON. Well, I think the principal importers there are Orr Laubenhimer and Hubbard Zemurray.

The CHAIRMAN. What firms?

Mr. PRESTON. Orr Laubenhimer & Co. and Hubbard Zemurray.

Mr. SPENCER. The Hubbard Zemurray Steamship Co.

Mr. PRESTON. Is that the official title?

Mr. SPENCER. Yes.

The CHAIRMAN. Well, the United Fruit Co. also is an importer of fruit at Mobile?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. What companies are importers of fruit to New Orleans?

Mr. PRESTON. Hubbard Zemurray and—

Mr. SPENCER. Vacara Bros. Steamship Co. and the Atlantic Fruit & Steamship Co.

The CHAIRMAN. What are they?

Mr. PRESTON. Hubbard Zemurray.

The CHAIRMAN. And Vacara Bros.?

Mr. PRESTON. Yes; also the Bluefields Fruit & Steamship Co. and the Atlantic Fruit & Steamship Co.

The CHAIRMAN. And the United?

Mr. PRESTON. Yes.

The CHAIRMAN. What companies are importers of fruit to Galveston?

Mr. PRESTON. The United Fruit Co. and—

Mr. SPENCER. That Atlantic Fruit & Steamship Co.

Mr. PRESTON. Well, is there another?

Mr. SPENCER. No; there was one organized to operate to New Orleans, but it has not started as yet. That was the Rio Grande.

The CHAIRMAN. Just name those which are operating.

Mr. PRESTON. The Atlantic Fruit & Steamship Co. and the United Fruit Co.

The CHAIRMAN. Now, take Mobile. I understand Orr-Laubenhheimer, the Hubbard Zemurray Steamship Co., and the United Fruit Co. are the importers of fruit to Mobile.

Mr. PRESTON. Yes.

The CHAIRMAN. Tell the committee what interest, if any, the United Fruit Co., either directly or through any of its subsidiaries, has in the Orr-Laubenhheimer Co.

Mr. PRESTON. They have none, directly or indirectly.

The CHAIRMAN. None, whatever?

Mr. PRESTON. None, directly or indirectly.

The CHAIRMAN. There is no community of interest between those companies in any manner whatever?

Mr. PRESTON. No, sir.

The CHAIRMAN. What do you say with reference to the Hubbard Zemurray Steamship Co.?

Mr. PRESTON. The same is true with all companies importing into New Orleans.

The CHAIRMAN. Well, the Hubbard Zemurray Co. imports into Mobile?

Mr. PRESTON. Yes.

The CHAIRMAN. And you say there is no community of interest between the Hubbard Zemurray Steamship Co. and the United Fruit Co., or between any of the subsidiaries of the United Fruit Co. and the Hubbard Zemurray Steamship Co.?

Mr. PRESTON. That is correct.

The CHAIRMAN. You are absolutely independent?

Mr. PRESTON. Absolutely.

The CHAIRMAN. There is no community of interest in any manner whatever, directly or indirectly?

Mr. PRESTON. None that I know of.

The CHAIRMAN. They are bona fide competitors in the importation of fruit?

Mr. PRESTON. In every respect.

The CHAIRMAN. Do they own plantations, the Orr Laubenhheimer Co.?

Mr. PRESTON. I do not know if they do or not.

The CHAIRMAN. Or are they just a transportation company?

Mr. PRESTON. My impression is that they purchase fruit, transport it and sell it.

The CHAIRMAN. Take the Orr-Laubenhheimer Co. Has the United Fruit Co. ever had any interest in the Orr-Laubenhheimer Co.?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. When?

Mr. PRESTON. 1907.

The CHAIRMAN. Just give me your own best recollection of it.

Mr. PRESTON. My information is coming from my assistant in regard to these matters, as I wish to make correct answers. My answers would be unreliable. I could not give it to you from memory.

The CHAIRMAN. You know at one time that you had?

Mr. PRESTON. I know at one time they had an interest. The dates I could not give you.

The CHAIRMAN. Was that a partnership or corporation?

Mr. PRESTON. A corporation.

The CHAIRMAN. And the United Fruit Co. controlled a majority of the stock of the corporation?

Mr. PRESTON. I think not. I do not think they ever had what is known as control, from the fact that the corporation always managed its affairs without regard to the United Fruit Co.

The CHAIRMAN. How long did that continue?

Mr. PRESTON. I am unable to give you the term which that existed.

The CHAIRMAN. Do you know when the ownership of stock in the Orr-Laubheimer Co. was acquired?

Mr. PRESTON. No, sir.

The CHAIRMAN. Do you know why—

Mr. PRESTON. It was acquired at their solicitation, from the fact that they thought we could assist them in disposing of more fruit than they were doing. Their business was not very large, and, as our trade was diversified and theirs was not, they were not large enough to support selling agencies, and they wished to avail themselves of ours.

The CHAIRMAN. I believe you say you do not remember when the stock ownership of that company by the United Fruit Co. ceased?

Mr. PRESTON. No; I do not.

The CHAIRMAN. Would you say it has ceased?

Mr. PRESTON. It has ceased.

The CHAIRMAN. Nor do you recall why it ceased?

Mr. PRESTON. Well, they felt that they would increase their business. They were making good progress and through some—I do not know any particular reason otherwise than they felt that they might do a little better. It is very difficult to find reasons for that sort of thing when there are so many features, perhaps, which contribute to the whole thing, and as the business of the United Fruit Co. is handled in New Orleans very largely by our representatives there, as president of the company I did not take any particular part in the negotiations of that character, relying on our people there to handle the business to the best advantage.

The CHAIRMAN. To whom did the United Fruit Co. sell their stock holdings in the Orr-Laubheimer Co.?

Mr. PRESTON. I think to the other stockholders. I do not think there are any other parties interested—that is my impression.

The CHAIRMAN. The other stockholders in the Orr-Laubheimer Co.?

Mr. PRESTON. In the Orr-Laubheimer Co.; yes.

The CHAIRMAN. Or to owners of stock in the United Fruit Co.?

Mr. PRESTON. No; I think the stock went back to the original stockholders of the Orr-Laubheimer Co., those that were alive; some of them had died.

The CHAIRMAN. Do the owners of stock in the United Fruit Co. own stock in the Orr-Laubheimer Co. to your knowledge?

Mr. PRESTON. I can not say as to that. There may be people that hold our stock that hold theirs. I have no knowledge of that. I am sure our directors do not.

The CHAIRMAN. How?

Mr. PRESTON. I am sure that our directors, so far as my knowledge goes, do not.

The CHAIRMAN. So far as you have any knowledge, the owners of stock in the United Fruit Co. do not also hold stock in the Orr-Laubenheimer Co.?

Mr. PRESTON. You can perfectly realize, Mr. Chairman, that with a stock-holding list of over 7,000 in the number it would be impossible for me to recall them. In fact, I only know a very small number.

The CHAIRMAN. I say if there are any stockholders in the United Fruit Co. that own stock in the Orr-Laubenheimer Co. you have no knowledge of it?

Mr. PRESTON. No knowledge of it.

The CHAIRMAN. Who are the parties who now own and control the corporation known as the Orr-Laubenheimer Co.?

Mr. PRESTON. I do not know.

The CHAIRMAN. Do you know who the president of the company is?

Mr. PRESTON. I can not say that I do for a certainty.

The CHAIRMAN. Nor the general manager? Where do they have their principal office?

Mr. PRESTON. I think their place of business is Mobile, but I have no knowledge of the present status of their organization or its officers.

The CHAIRMAN. They have not sent any statement in or else we would not ask you these questions. You do not know who any of the members of their board of directors are?

Mr. PRESTON. No; I do not.

The CHAIRMAN. Did the United Fruit Co. dispose of its holdings in the Orr-Laubenheimer Co. all at once?

Mr. PRESTON. I can not recall whether it did or not.

The CHAIRMAN. Did you own a controlling interest in that company at one time?

Mr. PRESTON. I beg your pardon. [The question was read by the stenographer.] Well, I think my—my impression is our holdings were 50 per cent, but as far as control went, I have never understood that we held the control of the business of the company in any way.

The CHAIRMAN. Fifty or 51 per cent?

Mr. PRESTON. I do not recall whether it was 50 or 51; that is just the point that my memory is not sufficient on.

The CHAIRMAN. Was the reason that you parted with your holdings in that company that you were threatened with suit for violating the Sherman antitrust law?

Mr. PRESTON. I think not.

The CHAIRMAN. You do not think that influenced you at all in disposing of the stock?

Mr. PRESTON. My impression is that it did not.

The CHAIRMAN. Now—

Mr. PRESTON. As we were not conscious of violating any laws.

The CHAIRMAN. Was your company at any time interested in the Hubbard-Zemurray Steamship Co.?

Mr. PRESTON. I am informed by our counsel that we organized it and Hubbard-Zemurray took approximately 40 per cent in it.

The CHAIRMAN. You say you organized it?

Mr. PRESTON. Yes.

The CHAIRMAN. United Fruit Co.?

Mr. PRESTON. United Fruit Co.

The CHAIRMAN. Organized that company.

Mr. PRESTON. Yes.

The CHAIRMAN. And had 60 per cent of the stock?

Mr. PRESTON. Yes.

The CHAIRMAN. And how long did you continue in control of that company?

Mr. PRESTON. I am unable to tell you, sir.

The CHAIRMAN. Do you know when you parted with the control?

Mr. PRESTON. My counsel informs me that it occurred in 1907.

The CHAIRMAN. Have you now, or have you had since 1907, any interest—when I say “you,” I mean the United Fruit Co.—either directly or indirectly or through any of your subsidiaries or through any other friendly interests in the Hubbard-Zemurray Steamship Co.?

Mr. PRESTON. Not to my knowledge. [After a pause.] I beg your pardon. My counsel corrected me in saying that we had held a small portion of the stock in 1910. We then sold it all, so that since that time we have had no interest, directly or indirectly, in the company.

The CHAIRMAN. It was in 1910 when you disposed of your stock in the Atlantic Fruit & Steamship Co., was it not?

Mr. PRESTON. I can not recall just the date.

The CHAIRMAN. I think that is what you said; and also in the Orr-Laubenheimer Co., and you say it was then you disposed of your stock in the Vacaro Bros. Steamship Co. Do you recollect that it was about the same time that you disposed of your holdings in all these companies?

Mr. PRESTON. It might have been 12 or 15 months apart, or two years or more. My knowledge—I am unable to answer that question with reference to some of our statements.

The CHAIRMAN. First tell me, is the Hubbard-Zemurray Steamship Co. a corporation?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Does it own and operate ships?

Mr. PRESTON. It operates ships, but I do not know whether it owns any or not.

The CHAIRMAN. Is it also engaged in the distribution of fruit to New Orleans?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Is there a Mr. Zemurray? Do you know a man of that name?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. Has he a contract with the United Fruit Co. for the purchase of all the ripe fruit that the United Fruit Co. import into New Orleans?

Mr. PRESTON. I am unable to say whether he has or not.

The CHAIRMAN. You do not know?

Mr. PRESTON. No; that is a detail that is left to the manager of the New Orleans branch.

The CHAIRMAN. It is the Mr. Zemurray that is interested in the Zemurray Steamship Co. if that is true, is it not?

Mr. PRESTON. I could not say. There may be more than one Zemurray.

The CHAIRMAN. You do not know?

Mr. PRESTON. I do not know.

The CHAIRMAN. Do you know Jacob Weinberger, in New Orleans?

Mr. PRESTON. I do.

The CHAIRMAN. Is he interested in the Hubbard-Zemurray Steamship Co.?

Mr. PRESTON. I am unable to say.

The CHAIRMAN. You do not know what his relations to that company are?

Mr. PRESTON. No, sir; I do not.

The CHAIRMAN. Can you tell us what they are as to the United Fruit Co.?

Mr. PRESTON. He has no relations with the United Fruit Co. I do not know how it may be with the other companies.

The CHAIRMAN. I believe you mentioned the Bluefields Steamship Co. as one of them—Fruit & Steamship Co. Does that company own and operate ships in the importation of fruit to New Orleans?

Mr. PRESTON. It operates ships, but I do not think it owns any. It runs into New Orleans and possibly some other ports.

The CHAIRMAN. Is it a going concern now?

Mr. PRESTON. I understand it is. It has been through a great many legal difficulties recently.

The CHAIRMAN. Is it in the hands of a receiver?

Mr. PRESTON. Yes, sir.

Mr. SPENCER. If the chairman will allow me, there is apparently confusion of names there. The Bluefields Steamship Co., which is known in our business as the Bluefields Fruit & Steamship Co., is a different organization entirely.

The CHAIRMAN. When did the Bluefields Steamship Co. come into existence?

Mr. PRESTON. I do not know the date of the organization.

The CHAIRMAN. Is it the successor of this Bluefields Steamship Co., under reorganization, or something like that?

Mr. PRESTON. I understand it was sold by order of the court at receiver's sale, and parties in New Orleans purchased it. That is really the extent of my knowledge at the present time.

The CHAIRMAN. Has this new organization any affiliations with the United Fruit Co.?

Mr. PRESTON. Not that I know of.

The CHAIRMAN. Either directly or indirectly through stock purchase or otherwise?

Mr. PRESTON. I think not.

The CHAIRMAN. You would know it if that was true, would you not?

Mr. PRESTON. I think I should. I have seen no evidence of the kind, and I have heard nothing of the kind.

The CHAIRMAN. The company would not buy any stock unless you would know it, would it?

Mr. PRESTON. I think not. I am very certain that the United Fruit Co. has purchased none of its stock nor has any interest in it.

The CHAIRMAN. What is the name of your transportation company?

Mr. PRESTON. The Fruit Dispatch.

The CHAIRMAN. Tropical—

Mr. PRESTON. The Tropical Fruit & Steamship Co.?

The CHAIRMAN. Yes.

Mr. PRESTON. In round numbers, 40,000,000.

Mr. THAYER. So that you imported nearly 60 per cent into the United States?

Mr. PRESTON. Yes. Seven millions—nearly eight millions—went to——

Mr. THAYER. Yes; I understand. That would make two and one-half times 23,000,000 for United States consumption?

Mr. PRESTON. That is right.

Thereupon, at 12.15 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened pursuant to the taking of recess.

TESTIMONY OF MR. ANDREW W. PRESTON—Continued.

The CHAIRMAN. Mr. Preston, we will take up the service into other ports. I think the last one you mentioned was Charleston. You said the United Fruit Co. was the only importer into Charleston. What companies are importers of fruit on the Gulf, say, to Mobile?

Mr. PRESTON. Well, I think the principal importers there are Orr Laubenhimer and Hubbard Zemurray.

The CHAIRMAN. What firms?

Mr. PRESTON. Orr Laubenhimer & Co. and Hubbard Zemurray.

Mr. SPENCER. The Hubbard Zemurray Steamship Co.

Mr. PRESTON. Is that the official title?

Mr. SPENCER. Yes.

The CHAIRMAN. Well, the United Fruit Co. also is an importer of fruit at Mobile?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. What companies are importers of fruit to New Orleans?

Mr. PRESTON. Hubbard Zemurray and——

Mr. SPENCER. Vacara Bros. Steamship Co. and the Atlantic Fruit & Steamship Co.

The CHAIRMAN. What are they?

Mr. PRESTON. Hubbard Zemurray.

The CHAIRMAN. And Vacara Bros.?

Mr. PRESTON. Yes; also the Bluefields Fruit & Steamship Co. and the Atlantic Fruit & Steamship Co.

The CHAIRMAN. And the United?

Mr. PRESTON. Yes.

The CHAIRMAN. What companies are importers of fruit to Galveston?

Mr. PRESTON. The United Fruit Co. and——

Mr. SPENCER. That Atlantic Fruit & Steamship Co.

Mr. PRESTON. Well, is there another?

Mr. SPENCER. No; there was one organized to operate to New Orleans, but it has not started as yet. That was the Rio Grande.

The CHAIRMAN. Just name those which are operating.

Mr. PRESTON. The Atlantic Fruit & Steamship Co. and the United Fruit Co.

The CHAIRMAN. Now, take Mobile. I understand Orr-Laubheimer, the Hubbard Zemurray Steamship Co., and the United Fruit Co. are the importers of fruit to Mobile.

Mr. PRESTON. Yes.

The CHAIRMAN. Tell the committee what interest, if any, the United Fruit Co., either directly or through any of its subsidiaries, has in the Orr-Laubheimer Co.

Mr. PRESTON. They have none, directly or indirectly.

The CHAIRMAN. None, whatever?

Mr. PRESTON. None, directly or indirectly.

The CHAIRMAN. There is no community of interest between those companies in any manner whatever?

Mr. PRESTON. No, sir.

The CHAIRMAN. What do you say with reference to the Hubbard Zemurray Steamship Co.?

Mr. PRESTON. The same is true with all companies importing into New Orleans.

The CHAIRMAN. Well, the Hubbard Zemurray Co. imports into Mobile?

Mr. PRESTON. Yes.

The CHAIRMAN. And you say there is no community of interest between the Hubbard Zemurray Steamship Co. and the United Fruit Co., or between any of the subsidiaries of the United Fruit Co. and the Hubbard Zemurray Steamship Co.?

Mr. PRESTON. That is correct.

The CHAIRMAN. You are absolutely independent?

Mr. PRESTON. Absolutely.

The CHAIRMAN. There is no community of interest in any manner whatever, directly or indirectly?

Mr. PRESTON. None that I know of.

The CHAIRMAN. They are bona fide competitors in the importation of fruit?

Mr. PRESTON. In every respect.

The CHAIRMAN. Do they own plantations, the Orr Laubheimer Co.?

Mr. PRESTON. I do not know if they do or not.

The CHAIRMAN. Or are they just a transportation company?

Mr. PRESTON. My impression is that they purchase fruit, transport it and sell it.

The CHAIRMAN. Take the Orr-Laubheimer Co. Has the United Fruit Co. ever had any interest in the Orr-Laubheimer Co.?

Mr. PRESTON. Yes, sir.

The CHAIRMAN. When?

Mr. PRESTON. 1907.

The CHAIRMAN. Just give me your own best recollection of it.

Mr. PRESTON. My information is coming from my assistant in regard to these matters, as I wish to make correct answers. My answers would be unreliable. I could not give it to you from memory.

The CHAIRMAN. You know at one time that you had?

Mr. PRESTON. I know at one time they had an interest. The dates I could not give you.

The CHAIRMAN. Was that a partnership or corporation?

Mr. PRESTON. A corporation.

life? There is that same cordial feeling and cooperation between you now, in their various ports, is there not?

Mr. PRESTON. We are always ready to help our competitors in this way: That sometimes they are unfortunate enough to lose a ship or be short of tonnage. If at any time we can assist them without loss to ourselves, why we charter them one of our ships for a trip or two, something of that kind. While we are competing in business, still we try to do it in a very respectable way, and to recognize the rights of others. I should expect they would do the same thing for us.

The CHAIRMAN. As I understood from you these companies, as necessity may require, charter boats from the United Fruit Co.; I understood that was your statement?

Mr. PRESTON. Yes, sir. At certain times we charter boats from them.

The CHAIRMAN. I believe you say your company and the Atlantic Fruit & Steamship Co. are the only ones trading to Galveston?

Mr. PRESTON. Yes.

The CHAIRMAN. Please give the committee the names of the steamship lines operating regular service competing with your company from New York. I think you will find that on page 59.

Mr. PRESTON. The Hamburg-American (Atlas service) operates a weekly service to Kingston, outports of Jamaica, Limon, Colon, Cartagena, Puerto Columbia, and Santa Marta; a monthly service to Boca del Toro. The Royal Mail Steam Packet Co. operates a fortnightly service to Colon, Cartagena, and Puerto Columbia. The Panama Railroad Co. operates about a weekly service to Colon. The Atlantic Fruit & Steamship Co. operates a fortnightly service to outports of Jamaica and an irregular service to Porto Cortez. That is from New York.

The CHAIRMAN. Is the United Fruit Co., or the Tropical Fruit & Steamship Co., a party to any agreement or agreements or any understanding with any other steamship companies mentioned as regards either the freight or passenger traffic to or from the United States to any of the ports mentioned?

Mr. PRESTON. We have no obligations with anyone.

The CHAIRMAN. Are you familiar with that traffic personally?

Mr. PRESTON. I am not. I have my traffic manager here.

The CHAIRMAN. Of course, if you do not know anything about it, we should like to have the man that does.

Mr. PRESTON. I shall be very glad to substitute him in my place. I am not familiar with it.

The CHAIRMAN. Gentlemen, are there any questions you want to ask this witness?

Mr. HARDY. You mentioned a very strong company that you had absorbed out of Boston quite a good while ago—the Boston Fruit Co.

Mr. PRESTON. Yes, sir.

Mr. HARDY. How did you go at it and why did you wish the absorption of that company? I would like to get at the modus operandi; what it was made you want to take them in and how you did it. Were they competing at the time?

Mr. PRESTON. No; it was not competition. We were all operating together. The Boston Fruit Co. occupied the same position with regard to what we might perhaps term New England or the North

Atlantic side that the United Fruit Co. does to-day for the entire coast. There is a party named Mr. Keith who shipped fruit from Colon, which is a quite a different class of fruit from what the then Boston Fruit Co. was using; it is a higher grade of fruit in every way. He shipped that to New York. His consignee, Hoadley & Co., failed, and I think they were owing a very large amount—nearly half a million. He then changed his consignments over to the Boston Fruit Co., and asked the Boston Fruit Co. to dispose of its fruit as they were disposing of their own. That transaction brought him to Boston; the failure of Hoadley and the proceedings subsequent to that brought him to Boston. In discussing the business, a proposition was made that as he was shipping fruit there, and he was shipping fruit from New Orleans, that he was working on one division on one hand and the other on the other hand, and he inquired if it was not a practicable thing for us to put them together; that is, to sell his fruit in New Orleans. He said he had two or three companies, which have been named here, that he was practically acting for as agent, or he was largely interested with them and was managing their business there. After discussion we decided to do it, and we did it.

Mr. HARDY. You said they had practically the whole New England coast, as you have now—

Mr. PRESTON. They had the New England coast; we had the southern coast.

Mr. HARDY. That is, the Boston Co.?

Mr. PRESTON. The Boston Co.; yes, sir.

Mr. HARDY. They had that New England coast?

Mr. PRESTON. Yes, sir.

Mr. HARDY. On about the same terms of general control as you have the entire coast now?

Mr. PRESTON. We were the largest operators there, and we simply extended it to New Orleans.

Mr. HARDY. You took them in and that gave you control of the New England coast traffic?

Mr. PRESTON. A large portion of it.

Mr. HARDY. Isn't it a fact that practically your company controls this whole traffic, with such little exceptional and border-line companies, that you really do not feel enough interest to go into them?

Mr. PRESTON. If you will excuse me, I think the word "control," as applied to the banana business, does not express the condition. You can not control it in a way, because control means keeping other people out. Now the business is as free and open to-day as it has ever been; in fact, more so. You can not control the supply of fruit, and you can not manipulate the price, on account of the perishable nature of the goods.

Mr. HARDY. You mean to say you could not undersell a competitor, a small man, so as to drive him out of existence?

Mr. PRESTON. No, I do not mean to say that; but I mean to say we could not control the prices that way.

Mr. HARDY. But you can drive anybody out of business almost that you want to?

Mr. PRESTON. I think it is possible to do so. No, I won't say it is possible to do so. It will require a great deal more fruit than we have to-day to do it.

Mr. HARDY. You said your capital amounted to—

Mr. PRESTON. About \$36,000,000.

Mr. HARDY. But you gave something of the value of your property outside of that. I have forgotten what that was.

Mr. PRESTON. I think our assets, as shown by our statements, amount to about \$56,000,000, book value.

Mr. HARDY. Now, is there any company engaged in that traffic with you, along by your side, that run into any considerable figure beside yourself?

Mr. PRESTON. Well, the Atlantic Co. claims to have a capital of \$11,000,000. I can not vouch for the truth of that.

Mr. HARDY. That is their capitalization?

Mr. PRESTON. Yes.

Mr. HARDY. But is there any company that has any such assets?

Mr. PRESTON. I do not know of any.

Mr. HARDY. Is there any company that really tries to buck against you in that traffic?

Mr. PRESTON. I do not understand that they try to buck against us. They bring their fruit in and have opportunities for selling it and getting just as much as we do, and I do not know that anything except a most vicious turn on our part would prevent it.

Mr. HARDY. You have nobody nowadays trying to undersell you or take your customers away from you?

Mr. PRESTON. Yes, sir; that is going on all the time.

Mr. HARDY. If they were going on extensively—

Mr. PRESTON. I should think we would have something to say to them and bring them around to reason.

Mr. HARDY. Have you any connection with railroads with reference to interior shipments of your fruit?

Mr. PRESTON. Oh, no; absolutely none.

Mr. HARDY. Do your people own any interest in interior railroads?

Mr. PRESTON. Not to my knowledge; they have no interest whatever.

Mr. HARDY. You never make any through shipments to interior points—give through bills of lading?

Mr. PRESTON. No.

Mr. HARDY. You only ship from port to port?

Mr. PRESTON. That is all.

Mr. THAYER. What was the amount of your capital when you organized?

Mr. PRESTON. \$11,000,000.

Mr. THAYER. When has it been increased?

Mr. PRESTON. It has been increased several times; quite a number of times. I do not know that I can tell you from memory now, but five or six times.

Mr. THAYER. Have those increases been stock dividends?

Mr. PRESTON. Four of them have.

Mr. THAYER. What is the extent of the one that was not?

Mr. PRESTON. I do not know that I could give it to you now.

Mr. THAYER. You could procure it—

Mr. PRESTON. Last year we issued \$9,000,000 stock, giving the stockholders the right to purchase that at \$150 a share. The market price then was \$200 a share.

Mr. THAYER. That was not a stock dividend?

Mr. PRESTON. That was not a stock dividend, but that shows an increase of the stock to that extent. Several years ago we made an issue of stock; I do not recall just the amount now.

Mr. THAYER. Was that a stock dividend?

Mr. PRESTON. No; I think we purchased property with that. We have a right to purchase property. If not offering stock to the directors, we have a right to purchase real property, and in some cases we have bought real property with the stock.

Mr. THAYER. You could easily furnish a statement—

Mr. PRESTON. Oh, absolutely.

Mr. THAYER. Of your capital stock; how much is stock dividends, and how much is not?

Mr. PRESTON. Yes.

Mr. HARDY. I believe you said you had some 7,000 stockholders?

Mr. PRESTON. Seven thousand—six thousand odd.

Mr. HARDY. About how many of those stockholders own small holdings, without being accurate or precise? In other words, I want to get at how small the number is that has a controlling interest.

Mr. PRESTON. The directors hold eight and seven-tenths of the entire stock of the company.

Mr. HARDY. You mean 8 per cent?

Mr. PRESTON. Yes; $8\frac{7}{10}$ per cent.

Mr. HARDY. How many are the directors?

Mr. PRESTON. Fifteen.

Mr. HARDY. Are there any larger stockholders than the directors?

Mr. PRESTON. I think not; I think our third largest stockholder is not a director. If you will permit me, we have, from 1 to 100 shares, 6,816; 100 to 500 is 584; 500 to 1,000 is 43; 1,000 to 5,000 is 27; over 5,000 there are 5.

Mr. THAYER. How many shares of stock in the company?

Mr. PRESTON. 7,475.

Mr. THAYER. How much do those 5 hold?

Mr. PRESTON. I can not say.

Mr. HARDY. Over 5,000 there are how many?

Mr. PRESTON. Five.

Mr. HARDY. That is sufficient. I believe I have no other questions, Mr. Chairman.

Mr. THAYER. Were you asked, Mr. Preston, whether your company had any interest in any other ships than those you own exclusively?

Mr. PRESTON. No, sir; they have not.

Mr. POST. Do you do any business south of Colombia?

Mr. PRESTON. Not now. We have done some business east of Colombia to Paramaribo, Dutch Guiana, but we have abandoned that now.

Mr. POST. I see by your report here that you have some 800,000 acres of land—that is, you either own it or have it leased. You only have some 230,000 under cultivation. Why did you acquire the excess?

Mr. PRESTON. In acquiring that land it is very often necessary to buy a large body of land which may not be particularly high per acre, in order to get the better selection. Parties holding a large tract, of course, hesitate to sell out. Of course, they won't sell out the best. They sell the whole lot.

In many cases we have denounced lands—that is, we go in and take it from the Government under what is known as denouncement. That is, you must take up a certain amount of land and cultivate it or put a railroad through it, or benefit the country in some way to hold the property. It is acquired in every conceivable way.

Mr. HARDY. Are those tracts held in large areas down there by the private owners?

Mr. PRESTON. A great many times they are.

Mr. HARDY. I know that in Mexico they are held in very large tracts.

Mr. THAYER. Do you own any real estate except such as is connected with this business?

Mr. PRESTON. No, sir.

Mr. THAYER. That is, you do not own any hotels?

Mr. PRESTON. Oh, we have hotels on the estate. At Port Antonio we have a hotel.

Mr. THAYER. That is not strictly connected with the business?

Mr. PRESTON. They are a sort of auxiliary to the passenger traffic.

Mr. THAYER. You have a number of hotels in Jamaica?

Mr. PRESTON. No; there is only one. We have a small interest, a minority interest in the hotel at Kingston, Jamaica.

Mr. THAYER. You do not own any interest in the hotel at Port Morant?

Mr. PRESTON. No.

Mr. Post. I wish you would give the number of outstanding shares of capital stock. You said seven thousand and some.

Mr. PRESTON. Seven thousand four hundred and sixty-five, as I recall it.

The CHAIRMAN. That is stockholders.

Mr. HARDY. What is the amount of the stock?

Mr. PRESTON. Oh, the capital stock? I think it is \$36,500,000 in round numbers. I can give it to you.

The CHAIRMAN. The common stock—

Mr. PRESTON. It is all common stock. There is only one class of stock.

Mr. THAYER. What is the par value?

Mr. PRESTON. \$100. I think there are 36,365 shares.

Mr. Post. Your company raises a great many bananas. What other tropical fruits does it raise?

Mr. PRESTON. We raise oranges and grapefruit, cocoanuts, and chocolate. While we raise a great many other things, those are the articles that we export.

The CHAIRMAN. What I want to learn specifically now is this: I believe you said that you did not know if Zemurray holds the contract for the purchase of all the ripe fruit that the United Fruit Co. imports into New Orleans?

Mr. PRESTON. I do not.

The CHAIRMAN. Does the Fruit Despatch Co.?

Mr. PRESTON. Does the Fruit Despatch Co.?

The CHAIRMAN. Hold the contract for the purchase of all the ripe fruit that the United Fruit Co. imports into New Orleans?

Mr. PRESTON. Oh, no. The Fruit Despatch Co. is the distributing company. Whatever fruit was sold would be sold by the Fruit Despatch Co.

**HOUSE OF REPRESENTATIVES
SIXTY-SECOND CONGRESS .**

**PROCEEDINGS
OF THE
Committee on the Merchant Marine
and Fisheries**

**IN THE
Investigation of Shipping Combinations**

**UNDER
HOUSE RESOLUTION 587**



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1913**

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T. N. LAVEROCK, *Counsel.*

Continuation of the Hearing of Monday, January 27, 1918. (After Recess.)

INVESTIGATION OF SHIPPING COMBINATIONS.

TESTIMONY OF MR. R. W. BOISSEVAIN, GENERAL TRAFFIC MANAGER UNITED FRUIT CO.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give us your name, please, your address, and your official relation to the United Fruit Co.?

Mr. BOISSEVAIN. R. W. Boissevain, 17 Battery Place, New York; general traffic manager.

The CHAIRMAN. Of what?

Mr. BOISSEVAIN. Of the United Fruit Co.

The CHAIRMAN. How long have you been with that company?

Mr. BOISSEVAIN. I joined that company last year. In March, as general European agent I went over to London and came to this country about November of last year. I went to London as general European agent in March last year and I came back last November to take up the post as general manager.

The CHAIRMAN. Had you had any official connection with the company prior to March?

Mr. BOISSEVAIN. No.

The CHAIRMAN. What had been your business prior to that time?

Mr. BOISSEVAIN. Before I came with the United Fruit Co. I was the manager of the Royal Dutch West India Mail in Holland.

The CHAIRMAN. Have you any connection with that company now?

Mr. BOISSEVAIN. No; no connection whatever.

The CHAIRMAN. Are you simply a salaried officer in the United Fruit Co.?

Mr. BOISSEVAIN. Simply a salaried officer in the United Fruit Co.

The CHAIRMAN. Not a member of the board of directors?

Mr. BOISSEVAIN. No; not yet.

The CHAIRMAN. Nor a stockholder?

Mr. BOISSEVAIN. Nor a stockholder, either.

The CHAIRMAN. Have you any business connection with any transportation company other than the United Fruit Co. at this time?

Mr. BOISSEVAIN. None whatever.

The CHAIRMAN. And have not had since you first became connected with them?

Mr. BOISSEVAIN. And have not had since I first became connected with them.

The CHAIRMAN. What steamship lines operating a regular service compete with the United Fruit Co. from New York?

Mr. BOISSEVAIN. From New York we have the Hamburg-American Line and the Atlas Service to compete with us in our service to Kingston, Jamaica, Colombia, Costa Rica, Panama, and Bocas; and the Royal Mail to compete with us to the same ports except Costa Rica; the Panama Railroad Co. to Colon, and the Atlantic Fruit & Steamship Co. to all ports of Jamaica. And we have a regular service to Puerto Cortez.

The CHAIRMAN. You can tell the committee if the United Fruit Co., or the Tropical Fruit & Steamship Co., or either of them is a party to any agreement or agreements, or any understanding or understandings, with any of the steamship companies named, or other steamship companies or lines, as regards either the freight or passenger traffic either to or from the United States to any of the ports you have named?

Mr. BOISSEVAIN. We have no agreement or understanding or arrangement with any of the companies named except in this way, that when we entered the trade we did not try to cut the rates, but we came in on an equal basis. It was tacitly understood, without any prearranged agreement, that we would quote the same rates without adhering strictly to them. I mean, without the necessity of adhering strictly to them and without the necessity on our part of giving previous notice if we wished to change the rates. But we have no legal agreement or arrangement of any kind.

The CHAIRMAN. You mean to say you have no written agreement to that effect?

Mr. BOISSEVAIN. Yes; not only do we not have any written agreement, but no verbal agreement, either. Yes; we have no written agreement to that effect, but there is a verbal agreement in some cases. Last year when we started to call at two ports on the Colombia Line we did not give notice, but started in and quoted rates. But there has always been a tacit understanding between the Hamburg-American and the Royal Mail that we would stick more or less to their rates.

The CHAIRMAN. You understand there is an agreement or understanding between the Royal Mail and the Hamburg-American that they will adhere to the same rates?

Mr. BOISSEVAIN. I know that.

The CHAIRMAN. You understand that?

Mr. BOISSEVAIN. I know that; I read that in the testimony.

The CHAIRMAN. And when you came in you gave your adherence to that understanding?

Mr. BOISSEVAIN. Well, we did not—when I read the testimony that was the first intimation we had of the fact that there was a more intimate agreement between the Royal Mail and the Hamburg-American—that they had a pooling agreement. We did not know anything about that. The first information we had about it was from the testimony Mr. Sickel gave. We just came in and quoted the same rates.

The CHAIRMAN. In other words, you notified them you were going to enter the trade and you would stand by and observe the conditions of traffic under which they were working?

Mr. BOISSEVAIN. Not exactly, because we did not give them notice. The first notice they received was when their agent at Cartagena became our agent.

The CHAIRMAN. How was that?

Mr. BOISSEVAIN. They had an agent in Cartagena, one of the ports we called at last year, and he gave up his agency with the Royal Mail and became our agent. There was no previous notification on our part that we would enter the territory.

The CHAIRMAN. But when you did enter the territory, you gave them to understand you would cooperate with them in making and observing rates?

Mr. BOISSEVAIN. Yes; we did not notify them, but they found out we published the same tariffs.

The CHAIRMAN. And you have been acting under that tacit arrangement ever since you entered these ports?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. And that is the arrangement that exists between you and these other companies wherever you enter their ports?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. Or engage in the same trade?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. And your tariffs on all commodities are the same from New York to those ports, or from those ports to New York?

Mr. BOISSEVAIN. Yes, sir; practically the same.

The CHAIRMAN. Does that agreement go to the extent that if other lines should be bold enough to enter that trade you would cooperate with them in driving them out?

Mr. BOISSEVAIN. No, sir; in no way.

The CHAIRMAN. Have you any regular time or regular number of sailings between the ports named?

Mr. BOISSEVAIN. No regulations whatever.

The CHAIRMAN. A large part of your business is transporting the fruit, the product of your own company?

Mr. BOISSEVAIN. Yes, sir; on the homeward voyage.

The CHAIRMAN. On the outward trip you carry general merchandise as other companies do?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. Your passenger traffic is also increasing from year to year?

Mr. BOISSEVAIN. It is increasing considerably.

The CHAIRMAN. So that on the outward voyage from the United States your company and the Hamburg-American—

Mr. BOISSEVAIN. And the Royal Mail.

The CHAIRMAN. And the Royal Mail Steam Packet Co. are practically handling the same class of commodities?

Mr. BOISSEVAIN. The same class of commodities; yes, sir.

The CHAIRMAN. And this understanding between you applies to all the companies, I understand, engaged in that trade?

Mr. BOISSEVAIN. Yes.

The CHAIRMAN. Both in the outward voyage and in the homeward voyage?

Mr. BOISSEVAIN. You mean on the lines that are served by these three companies—the Royal Mail, the Hamburg-American, and ourselves?

The CHAIRMAN. Yes.

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. Have you any relation with the Atlantic Fruit & Steamship Co.?

Mr. BOISSEVAIN. You mean I, personally, or the United Fruit Co.?
The CHAIRMAN. Your company.

Mr. BOISSEVAIN. No, no; no relation whatever.

The CHAIRMAN. Do they observe the same rates?

Mr. BOISSEVAIN. Well, at the present moment I do not know exactly how they are running the service. Up to six weeks ago they carried fruit for themselves, and the Hamburg-American Line loads their steamers at the present moment; they have a regular service from New York to the outports of Jamaica—the outports and the smaller ports on the coast of Jamaica. I believe they have two or three steamers, and these steamers at the present moment, I believe, are loaded and handled by the Hamburg-American Line in New York.

The CHAIRMAN. Is it not true that at this time they have a contract with the Hamburg-American Line by which the Hamburg-American Line shall handle that business for them?

Mr. BOISSEVAIN. I do not know anything about that.

The CHAIRMAN. Have you any information to the effect that the United Fruit Co. tried to get the Hamburg-American to break that agreement?

Mr. BOISSEVAIN. None; I have no information about that.

The CHAIRMAN. If it is a fact, you know nothing about it?

Mr. BOISSEVAIN. No, sir; I do not know anything about it.

The CHAIRMAN. You did not make entirely clear whether or not the Atlantic Fruit & Steamship Co. charged the same rates as the Hamburg-American, Royal Mail Steam Packet Co., and the United Fruit Co.

Mr. BOISSEVAIN. At the present time—I do not know exactly what they do with the Atlantic Fruit Co. I know that they used to have an irregular service, but what rates they quoted I could not tell you. Maybe they went lower; maybe they quoted the same rates.

The CHAIRMAN. Their service is employed by the Hamburg-American, as I understand it?

Mr. BOISSEVAIN. As I understand, the Atlantic Fruit Co.—or, rather, the Hamburg-American—chartered these steamers.

The CHAIRMAN. That is, the Atlas service of the Hamburg-American?

Mr. BOISSEVAIN. I could not tell you that. This is not first-hand information; this is only what I have heard.

The CHAIRMAN. What companies besides the United Fruit Co. trade from Baltimore, and to what points?

Mr. BOISSEVAIN. From Baltimore, the Atlantic Fruit & Steamship Co., a weekly service to Port Antonio, Jamaica, and the Munson Line about every three weeks to Colon.

The CHAIRMAN. How about the rates from Baltimore to Port Antonio?

Mr. BOISSEVAIN. I could not tell you exactly how they work. There is not very much competition between steamers going from Baltimore. The traffic is very small—very inconsiderable.

The CHAIRMAN. The United Fruit Co. and the Atlantic Fruit & Steamship Co. are in that trade?

Mr. BOISSEVAIN. But very little traffic.

The CHAIRMAN. Is there any understanding or agreements between these lines?

Mr. BOISSEVAIN. No; I understand not.

The CHAIRMAN. Which affects either freight or passenger traffic from the United States to Port Antonio?

Mr. BOISSEVAIN. With the exception that I believe the Munson Line quotes about the same rates as the other lines, the Panama Railroad Co., and the Royal Mail, and the Hamburg-American to Colon. The Munson Line—however, I do not know whether it has always been so, but I believe they are getting the same rates now.

The CHAIRMAN. The Panama Railroad Co.—that is a government-owned line, is it not?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. And do the other lines conform to the rates made by the Panama Railroad Co.?

Mr. BOISSEVAIN. Yes. The Panama Railroad Co. conforms to all the lines.

The CHAIRMAN. Do you mean to say that the Panama Railroad line has an agreement with the other lines to maintain rates?

Mr. BOISSEVAIN. The same way that we are with the Royal Mail and the Hamburg-American Line.

The CHAIRMAN. That they will not cut rates?

Mr. BOISSEVAIN. They do not like cutting rates.

The CHAIRMAN. I understand it that the Hamburg-American and the Royal Steam Packet Co. and Panama Railroad Co. and the United Fruit Co. and the Munson Line all have an understanding or agreement that they will observe the same rates?

Mr. BOISSEVAIN. That is the understanding.

The CHAIRMAN. And that is in existence and adhered to now?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. What lines operate from Philadelphia?

Mr. BOISSEVAIN. Philadelphia; the Atlantic Fruit & Steamship Co. to Port Antonio, Jamaica.

The CHAIRMAN. Operate a weekly service to Port Antonio, Jamaica; also the United Fruit Co.?

Mr. BOISSEVAIN. I beg your pardon.

The CHAIRMAN. The United Fruit Co.?

Mr. BOISSEVAIN. The United Fruit Co., also—

The CHAIRMAN. What are the rates to Port Antonio? Do both companies charge the same rates?

Mr. BOISSEVAIN. I believe they do; but there is very little traffic, and the greater part of the traffic, or, rather, the greater part of the cargo the steamers carry, is for all business.

The CHAIRMAN. All business?

Mr. BOISSEVAIN. Yes, sir; there is very little traffic.

The CHAIRMAN. What commodities do you carry on the outward voyage?

Mr. BOISSEVAIN. From Philadelphia?

The CHAIRMAN. Yes.

Mr. BOISSEVAIN. All sorts.

The CHAIRMAN. That is general cargo?

Mr. BOISSEVAIN. General cargo.

The CHAIRMAN. They observe the same rates?

Mr. BOISSEVAIN. The Atlantic Fruit & Steamship Co., and all the companies, do you mean?

The CHAIRMAN. Yes.

Mr. BOISSEVAIN. I expect we do, but I do not know. It does not come in competition; there is hardly any competition.

The CHAIRMAN. What commodities do you carry from Port Antonio?

Mr. BOISSEVAIN. To Philadelphia? Bananas.

The CHAIRMAN. Altogether?

Mr. BOISSEVAIN. Yes.

The CHAIRMAN. Both companies?

Mr. BOISSEVAIN. Yes.

The CHAIRMAN. And you are in competition in importing from Port Antonio?

Mr. BOISSEVAIN. The Atlantic Fruit Co. and the United Fruit Co.; yes, sir; I expect we are.

The CHAIRMAN. What lines are engaged in the trade from Mobile?

Mr. BOISSEVAIN. From Mobile there is the Orr-Laubenheimer and the Hubbard-Zemurray; from Mobile to Port Cortez, Orr-Laubenheimer and the Hubbard-Zemurray and the Zeeberg, which has a line to Jamaica.

The CHAIRMAN. And the Orr-Laubenheimer Co. between Mobile and Belize, Punta Gorda, Livingston, and Stann Creek?

Tell the committee if the United Fruit Co. is a party to any agreement or agreements or any understanding or understandings with either of the steamship companies or lines named, either with reference to the freight or passenger traffic to and from the United States.

Mr. BOISSEVAIN. No understanding whatever with any of them. Traffic between Mobile and points named here is very small, so that there is no reason for competition and no reason for understanding or agreement, and the Zeeberg Line is operating the service from Mobile to Jamaica and competes with us, so far as quoting lower rates than the New York lines to Jamaica.

The CHAIRMAN. They compete with you?

Mr. BOISSEVAIN. They compete in the traffic to Jamaica; they quote lower rates from Mobile to Jamaica than the New York lines do in Jamaica. So far we have some in competition from that quarter.

The CHAIRMAN. You have no competition as between yourselves from Mobile?

Mr. BOISSEVAIN. Oh, we do not go from Mobile to Jamaica.

The CHAIRMAN. I understand your competition is with the following steamship lines operating regular service from Mobile, but the competition is between the Zeeberg Line from Mobile with your company from New York?

Mr. BOISSEVAIN. Yes, sir; that is really what it ought to be.

The CHAIRMAN. You have no lines then out of Mobile?

Mr. BOISSEVAIN. No; we have no line out of Mobile to Jamaica.

The CHAIRMAN. To Jamaica?

Mr. BOISSEVAIN. Yes.

The CHAIRMAN. While the Zeeberg Line operates a fortnightly service to Jamaica ports?

Mr. BOISSEVAIN. Yes, to Jamaica ports.

The CHAIRMAN. Does your line out of Mobile compete with the Orr-Laubenheimer?

Mr. BOISSEVAIN. The Orr-Laubenheimer plies between Mobile and Belize, Punta Gorda, Stann Creek, Puerto Barrios, and Livingston,

and there is very little traffic between those ports, so there is hardly any competition. There is no understanding between us and that company.

The CHAIRMAN. The rates are the same?

Mr. BOISSEVAIN. Well, I could not tell you exactly, I do not know. It is of very little importance and I do not hear anything about it.

The CHAIRMAN. The rates sent to us as regards Mobile are the same.

Mr. BOISSEVAIN. You mean the Hubbard-Zemurray quote the same rates that we do from Mobile, according to your records?

The CHAIRMAN. Yes; and the Orr-Laubenheimer.

Mr. BOISSEVAIN. If they do I do not know it. It is quite possible. They generally print our tariffs. I do not know whether they always adhere to them. They print our tariffs, and then they use them, but I do not know whether they adhere to our rates.

The CHAIRMAN. What companies besides your own trade from New Orleans and to what points?

Mr. BOISSEVAIN. The Atlantic Fruit & Steamship Co., between New Orleans and Cortez, and between New Orleans and Bluefields; and Vaccaro Bros. between New Orleans and Cieba.

The CHAIRMAN. And the Hamburg-American Line?

Mr. BOISSEVAIN. The Hamburg-American Line? Oh, no; that is not from New Orleans; that is a new heading—Hamburg-American competition between Colon, Limon—coastwise traffic. We have only the Atlantic Fruit and Vaccaro Bros. from New Orleans.

The CHAIRMAN. State if your company has any understanding or agreement with the Atlantic Fruit & Steamship Co. or Vaccaro Bros. & Co.—take the Atlantic Fruit & Steamship Co. between New Orleans and Port Cortez and between New Orleans and Bluefields.

Mr. BOISSEVAIN. There is no understanding or agreement whatever between the United Fruit Co. and those companies.

The CHAIRMAN. You observe the same rates on outward freight from New Orleans, do you?

Mr. BOISSEVAIN. I do not think they do for the greater part of the traffic; almost all of the traffic goes through by steamers, because our service is so much better, our steamers are far larger and far superior to those, and we have regular service every three or four days.

The CHAIRMAN. So they are not a factor, really, in that trade, are they?

Mr. BOISSEVAIN. No; they are not.

The CHAIRMAN. About what proportion of the traffic do you think is controlled by the United Fruit Co.?

Mr. BOISSEVAIN. I could not tell you that, but I could get you a statement. I am not quite familiar with the New Orleans part of the business; just as I have told you, I have been with the company in New York only a short time, but I could get you the figures if you wished.

The CHAIRMAN. Can you get them for Mobile, New Orleans, and Galveston?

Mr. BOISSEVAIN. Yes, sir; I will get you full statements.

The CHAIRMAN. Is Mr. Zemurray connected with the Fruit Despatch Co. at New Orleans?

Mr. BOISSEVAIN. I do not know, sir. I never heard of Mr. Zemurray. This afternoon is really the first time I knew there was a Mr. Zemurray.

The CHAIRMAN. I believe you said the United Fruit Co. and Vaccaro Bros. & Co. run lines between New Orleans and Sebas?

Mr. BOISSEVAIN. Yes, sir.

The CHAIRMAN. State whether or not there is any understanding between them.

Mr. BOISSEVAIN. No, sir.

The CHAIRMAN. If so, what is it?

Mr. BOISSEVAIN. There is no understanding whatever between them, for the same reasons as given about the Havana Fruit Co.; we have far superior steamers, so there is very little of the cargo that goes to them.

The CHAIRMAN. So they are not in serious competition with you?

Mr. BOISSEVAIN. No, sir.

Mr. HARDY. Have you ever had any real competition with anybody in your rates, either in your outward-bound freights or coming in, since you have been connected with the line?

Mr. BOISSEVAIN. Not since I have been connected with the line; but I have been connected with it only a very short time—since last fall. I believe we have had competition, especially in the southern part, in New Orleans.

Mr. HARDY. That is, in this small way?

Mr. BOISSEVAIN. Yes; in a small way. I do not think we have ever had any very serious competition, although I could not vouch for it.

Mr. HARDY. I have no further questions.

The CHAIRMAN. If there is nothing else, the gentleman may be excused.

STATEMENT OF WALKER B. SPENCER.

The CHAIRMAN. Will you give your name to the stenographer?

Mr. SPENCER. Walker B. Spencer. Of course, I am only expressing my individual views on this subject.

Mr. HARDY. I would like to ask the associate counsel if he has any suggestion to make with reference to the matter of the law, whether there ought to be any law to prevent combination, or whether there ought to be any law applying to this matter?

Mr. SPENCER. That is a matter that I have not considered very thoroughly. I do not believe that publicity should be given to all of these arrangements that exist between steamship companies.

The CHAIRMAN. You are an attorney at law, are you?

Mr. SPENCER. Yes, sir.

The CHAIRMAN. Your residence is New Orleans, La.?

Mr. SPENCER. Yes, sir.

The CHAIRMAN. And you are counsel for the United Fruit Co.?

Mr. SPENCER. I am associate counsel for the United Fruit Co.

Mr. HARDY. You say you live in New Orleans?

Mr. SPENCER. Yes, sir.

Mr. HARDY. Go ahead; let us have your ideas.

Mr. SPENCER. I do not know that I can give any ideas that will be of any benefit to the committee, but I am also a railroad lawyer.

and I have seen the effects of the operations of the Interstate Commerce Commission. I believe if a law could be passed by which all steamship companies operating in the United States could be compelled to file their tariffs with a commission, either with the Interstate Commerce Commission or some similar commission, and also be compelled to file their contracts and arrangements, and that commission should have power to see that the rates charged were not unreasonable out of ports of the United States, that probably would secure all of the benefit that could be hoped for from any governmental supervision, just as the railroads are all required to charge the same rate, while they are not allowed to pool. I believe that in many cases pooling might be a beneficial thing to steamship companies. I think in a measure it keeps up competition, at least competition in service; and it might be possible for something to be worked out on those lines.

Mr. HARDY. Do you mean to say that pooling would keep up competition?

Mr. SPENCER. Yes; in this way: I believe unrestricted and unrestrained competition and violent warfare simply mean that the weaker line will go under, so it will eventually result in a monopoly to the strongest line.

Mr. HARDY. Certainly pooling will not keep up competition, will it?

Mr. SPENCER. It will keep up competition in service; instead of having only one service you would have three or four.

Mr. HARDY. Would that be any better if they were all under the same management than one service?

Mr. SPENCER. Probably so. It would probably give more service, more regular service, and a more diversified service.

Mr. HARDY. A pooling arrangement means that they divide profits and losses, does it not?

Mr. SPENCER. Yes.

Mr. HARDY. If you had that kind of arrangement with four companies owning 10 ships apiece, what would be the difference between that and one company owning 40 ships?

Mr. SPENCER. They would probably run ships enough to take care of the traffic, and they could not do that if the strong line should endeavor to run out all the rest of them.

Mr. HARDY. But what I am getting at is the difference between pooling and single ownership, and if one company owned 40 ships it would be exactly the same as though four companies owned 10 apiece, and all were in a pool, would it not?

Mr. SPENCER. Certainly; but if one company owned 40 ships and had the entire monopoly of the trade, they would probably not run as many ships there as any four companies would, to any particular port.

Mr. HARDY. That would only arise out of the fact that four companies have more mouths to feed and officers to pay salaries to, would it not?

Mr. SPENCER. Not necessarily. If a steamship company had a monopoly of a particular port, they would give it just so much service as they saw fit. Instead of operating a ship there every week, which they might do in competition, they would simply operate one

there every two weeks, and let the merchant wait for his freight until they got ready to come there and get it.

Mr. HARDY. Did you ever think about whether it might not be best to have no law, except that no greater than a reasonable rate should be charged at any time, and any unreasonable charge might be recovered by the shipper at any time?

Mr. SPENCER. Yes; I have; either a right of action should be given to recover unreasonable rates or there should be somebody who should say what unreasonable rates were.

Mr. HARDY. Of course you would have to have a court, or somebody, to say what unreasonable rates were, if you were to sue for an overcharge.

Mr. SPENCER. Yes; I quite agree with that proposition, that the interests of this country demand that we get reasonable rates.

Mr. HARDY. There has to be authority somewhere to prevent monopolistic or combination excesses, has there not?

Mr. SPENCER. Yes, sir; I quite agree with you on that point.

Mr. HARDY. You do not quite believe that human nature has reached the point where I can trust my interests to you where they come in conflict with yours, or where you can trust your interests to me where they come in conflict with mine?

Mr. SPENCER. No; unless somebody on the outside compels us to reduce rates. I will say this: It seems to me that the situation of the United Fruit Co., dealing entirely with American products, having only the interests of the United States in building up the Central American trade, they are going to keep the rates from the United States at least on a parity with the rates from Europe to Central American points, because if the people in Central America trade with the Germans or with Holland, the United Fruit Co. is not going to get any of that business, so they are never going to let the rates get so out of gear that the business of Central America will go to Europe instead of coming to the United States.

Mr. HARDY. In other words, they are interested in building up their business?

Mr. SPENCER. They are interested in building up their business, but their business can only be built up through the trade between the United States and Central and South America.

Thereupon, at 4 o'clock p. m., the committee adjourned to meet again at 10.30 o'clock Tuesday, January 28, 1913.

TUESDAY, JANUARY 28, 1913.

The committee met at 10.54 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Thayer, Stone, and Greene.

TESTIMONY OF MR. JOHN AUSTIN M'CARTHY, STEAMSHIP AGENT AND SHIP BROKER, PHILADELPHIA, PA.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your name, address, and business.

Mr. McCARTHY. John Austin McCarthy; La Fayette Building, Philadelphia, Pa.; steamship agent and ship broker.

The CHAIRMAN. What lines do you represent?

Mr. McCARTHY. The only line at the present time out of Philadelphia is the Scandinavian-American Line to the Baltic. That is the only east and west bound line. In addition to that I look after what small through shipments the Royal Mail Steam Packet Co. has coming to Philadelphia. They just carry the cargo from the east to London and transship it, and then we carry the freight for them to Philadelphia from the east and London. In addition to that I am the agent of the United States Shipping Co. It is the Tussco Line, which means The United States Shipping Co. They operate time-charter boats.

The CHAIRMAN. What do you say the United States Shipping Co. is called?

Mr. McCARTHY. Tussco.

The CHAIRMAN. Where does it trade?

Mr. McCARTHY. They trade anywhere they can get business. At the present time I am interested in a shipment of a million and a half tons of ore they are carrying up from Cuba to Philadelphia. That is from Mr. Schwab's mines, going to the Bethlehem Steel Co., and they charge so much per ton for carrying large cargoes from Santiago to Philadelphia. I look after the steamers. That is just one shipment I look after. Any business they have coming to Philadelphia.

The CHAIRMAN. They are not engaged in the Baltic trade?

Mr. McCARTHY. No, sir; they are not.

The CHAIRMAN. Tell the committee what lines trade from ports of the United States to the Baltic?

Mr. McCARTHY. The Hamburg-American Line, the North German Lloyd, the Wilson Line, the Scandinavian-American Line, and until recently the Cosmopolitan Line.

The CHAIRMAN. From what ports in the United States to the Baltic does the Hamburg-American Line sail?

Mr. McCARTHY. They go from New York, Philadelphia, and Baltimore, that I know of. I do not know whether they run from Newport News or not.

The CHAIRMAN. From New York and Philadelphia—

Mr. McCARTHY. And Baltimore. That is where the principal business is.

The CHAIRMAN. And, I think, Newport News.

Mr. McCARTHY. And Norfolk. I think, Newport News and Norfolk.

The CHAIRMAN. Now, what ports in the Baltic, speaking of the Hamburg-American Line?

Mr. McCARTHY. They go to Hamburg and then they transship up the Baltic to over a hundred ports.

The CHAIRMAN. The line from the United States does not carry freight and passengers to the ultimate destination in the Baltic; they transship at Hamburg?

Mr. McCARTHY. I do not know anything about the passenger business at all.

The CHAIRMAN. Just the freight business?

Mr. McCARTHY. Only the freight business, excepting the Scandinavian Line out of New York. If I can book passengers for them in Philadelphia, I do so; but I do not know anything about the others.

The CHAIRMAN. I understand you to say, however, you are agent for the Scandinavian Line?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. In Philadelphia?

Mr. McCARTHY. Yes, sir; the International Mercantile Marine Co.

The CHAIRMAN. What individual?

Mr. McCARTHY. Mr. P. F. Young is the manager there, but the bookings, I think, are made in New York through Mr. Franklin's office. I think he just looks after the loading, as I do. But Funch, Edye & Co. are the general agents of the Scandinavian Line. I am only the local agent in Philadelphia; and Mr. Young is local agent there for the Hamburg-American Line.

The CHAIRMAN. Tell the committee from what ports in the United States to what ports in the Baltic the North German Lloyd runs.

Mr. McCARTHY. New York and Baltimore. I do not think they take any freight at all out of Philadelphia. They come to Philadelphia and land their passengers, and then, I think, they go down south and load back—down to Galveston. I do not think they carry any east-bound cargo at all.

The CHAIRMAN. The North German Lloyd?

Mr. McCARTHY. Yes. New York and Baltimore I know they do carry from.

The CHAIRMAN. Freight and passengers?

Mr. McCARTHY. Yes.

The CHAIRMAN. To what ports in the Baltic?

Mr. McCARTHY. The same. If you will allow me, I will get you a book out of my pocket that I brought down, which will give you all the ports we make rates to [producing book]. These are all the ports. At the back of the book are the arbitraries. In naming the rate we name a basing rate by the Scandinavian-American Line to Copenhagen, Christiania, and Stettin, and then there is a fixed arbitrary to all the other ports which are in that book to be added to the basing rates.

The CHAIRMAN. You are speaking now of the North German Lloyd?

Mr. McCARTHY. I think it is all the same.

The CHAIRMAN. Do they go to any other port in Europe than Bremen?

Mr. McCARTHY. You mean from the United States?

The CHAIRMAN. Yes.

Mr. McCARTHY. I do not think they do; no, sir.

The CHAIRMAN. The Hamburg-American, of course, goes to Hamburg?

Mr. McCARTHY. To Hamburg; yes.

The CHAIRMAN. And at Bremen the cargoes are transshipped?

Mr. McCARTHY. Yes.

The CHAIRMAN. To ports in Europe, including the Baltic?

Mr. McCARTHY. Yes.

The CHAIRMAN. Tell us something about the Wilson Line.

Mr. McCARTHY. The Wilson Line runs from New York to Hull.

The CHAIRMAN. Hull in England?

Mr. McCARTHY. In England; yes, sir.

The CHAIRMAN. And transship there?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. Do they go to any other ports than Hull?

Mr. McCARTHY. No; I do not think they do.

The CHAIRMAN. Just from New York to Hull?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. Tell us about the line for which you are agent—the Scandinavian-American.

Mr. McCARTHY. The Scandinavian-American runs from Boston, Philadelphia, New York, Baltimore, and Newport News.

The CHAIRMAN. To what ports?

Mr. McCARTHY. They go to Copenhagen as the ultimate port, but they stop at Christiania. They call at Christiania, and recently at Gothenburg. Copenhagen is in Denmark, Christiania is in Norway, and Gothenburg is in Sweden.

The CHAIRMAN. After the Scandinavian-American Line reaches the ports named in Europe, how are their cargoes handled? Do they take them to their ultimate destination or transship?

Mr. McCARTHY. They transship there.

The CHAIRMAN. And who is agent there for the transshipment?

Mr. McCARTHY. The owners; the Forenede there, which means the United Steamship Co. They own the Scandinavian Line, and they own a great many steamers which run up through the Baltic and up through the North Sea, up to Greenland.

Mr. HAWDY. That is what they call the Tussco?

Mr. McCARTHY. No; the Forenede Line is the United. I can not pronounce the other name; I do not think you could put it in the record, but it is the United Steamship Co.

The CHAIRMAN. What lines does it own or control?

Mr. McCARTHY. It owns the—well, it is a company of its own, just like the Hamburg-American Line, and just like the North German Lloyd. It is the United Steamship Co., which is a company of its own.

The CHAIRMAN. Its name, United Steamship Companies, would signify that it is a combine—

Mr. McCARTHY. No; not "companies." It is "company."

The CHAIRMAN. Well, "company." Its name would signify that it is made up of other companies. Is that the company that takes care of all the business of the Hamburg-American Line?

Mr. McCARTHY. Oh, no.

The CHAIRMAN. And the North German Lloyd and Wilson?

Mr. McCARTHY. No, sir; they have their own boats that they transship by. The Hamburg-American have their own boats which run up the Baltic, and the North German Lloyd have their own boats, and the Wilson Line and the United Steamship Co. have their own boats.

The CHAIRMAN. So there is no connection between them?

Mr. McCARTHY. No connection; no, sir.

The CHAIRMAN. They are entirely independent, so far as ownership is concerned?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. Have you ever seen the agreement, Mr. McCarthy?

Mr. McCARTHY. Between the lines?

The CHAIRMAN. Yes.

Mr. McCARTHY. No, sir.

The CHAIRMAN. Is a copy of it here—that is, in your office or under your control?

Mr. McCARTHY. No; if it were in my office I would see it. I have never seen it.

The CHAIRMAN. Could you procure us a copy of that agreement?

Mr. McCARTHY. I will ask the people that should have it in New York.

The CHAIRMAN. What people there?

Mr. McCARTHY. The Scandinavian Line, Messrs. Funch, Edye & Co., Mr. Gottheil. They are general agents for the United States for the Scandinavian-American Line.

The CHAIRMAN. I understood from him that he did not have a copy.

Mr. McCARTHY. I do not know that there are any on this side. I think they are on the other side.

The CHAIRMAN. Are there any other lines in this agreement than those you have mentioned?

Mr. McCARTHY. No.

The CHAIRMAN. They are all the lines that operate to the Baltic?

Mr. McCARTHY. They constitute the Baltic pool; yes, sir.

The CHAIRMAN. There is no independent line operating from ports of the United States to the Baltic?

Mr. McCARTHY. There is a line called the Mexican Line—McBridge & Co. They come out with westbound cargo, and I think they load back from the Gulf. I do not know much about them. They are independent.

The CHAIRMAN. But that is not from the Atlantic?

Mr. McCARTHY. They do not go to the North Atlantic; no, sir.

The CHAIRMAN. These lines I referred to, and that you have mentioned in the Gulf that go to the Baltic, are also in this same pool?

Mr. McCARTHY. If they operate from the Gulf, but I do not know—

The CHAIRMAN. From all points in the United States from which they operate to the Baltic and from all points in the Baltic to points in the United States to which they operate, they are in this pool?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. Is there anything further?

Mr. HARDY. The Hamburg American runs from Gulf ports to Europe, does it not?

Mr. McCARTHY. I think it does, sir.

Mr. HARDY. The North German Lloyd also?

Mr. McCARTHY. I am not interested in the Gulf, so I am not very well posted; but I have an idea they do. I think the Holland-American and the Hamburg-American do. I do not know whether the North German Lloyd does or not, but the Scandinavian-American does not.

The CHAIRMAN. In addition to pooling the earnings on a certain percentage basis, does not this agreement also include a territorial division of routes?

Mr. McCARTHY. I do not quite understand.

The CHAIRMAN. That each line shall only trade to and from certain points—a division of territory.

Mr. McCARTHY. The Scandinavian-American can book for any port in the Baltic at all that they can get any freight for. They do not restrict themselves to any few ports in the Baltic. It is the same way with all the lines; they can book to any point in the Baltic. There are over 150 ports in the Baltic. They do not restrict them at all, and they book from any place in the United States.

The CHAIRMAN. Now, is not this United Steamship Co. on the other side the agency employed by all these lines in the pool to distribute their freight or collect it in the Baltic?

Mr. McCARTHY. No; they are in competition. They have their own agencies, as far as I know. They have their own steamers, and, therefore, they surely have their own agents.

The CHAIRMAN. But whether they are working in harmony or not, you do not know?

Mr. McCARTHY. No; I do not know.

The CHAIRMAN. Are the rates the same to and from all these ports on the Baltic?

Mr. McCARTHY. I presume they are from, but I am not sure, because all we get is a list of rates westbound. I presume the other lines are the same, but I do not know. On the eastbound they are all the same, but on the westbound I do not know. I do not see that there should be any difference.

Mr. HARDY. I understand you have a basic rate to these main ports and a fixed added rate to the other transshipping ports?

Mr. McCARTHY. Yes, sir.

Mr. HARDY. And that is the same, whatever company starts the freight from this country?

Mr. McCARTHY. If I book a hundred cars of flour from Minneapolis to the Baltic I will name 30 cents a hundred pounds basic.

Mr. HARDY. That is to where?

Mr. McCARTHY. Copenhagen, Christiania, or Stettin.

Mr. HARDY. If you want to go to some other port—

Mr. McCARTHY. Then they add that arbitrarily themselves. They know just what it will cost. It may be those 100 cars will go to 100 ports.

Mr. HARDY. You do not give a bill of lading through, except to Christiania?

Mr. McCARTHY. Yes; we give a through bill of lading—that is, in Minneapolis they issue a through bill of lading at 30 cents plus those additional arbitraries.

Mr. HARDY. But you add to those the different arbitraries in order to make a through bill of lading?

Mr. McCARTHY. The shipper has that; everybody has it that is shipping.

Mr. HARDY. But when you go to make out your bill and collect your freight—

Mr. McCARTHY. The freight is collected on the other side. If it is collected here, then we collect it, but through bills of lading are made out at the point of shipment.

Mr. HARDY. True; and also the rate is made out there?

Mr. McCARTHY. That is made out in the bill of lading; yes, sir.

Mr. HARDY. So you get your base rate plus the arbitrary?

Mr. MCCARTHY. Yes, sir.

Mr. HARDY. And you have them all in your office?

Mr. MCCARTHY. Yes.

Mr. HARDY. And they are the same for all these four companies?

Mr. MCCARTHY. Yes. The rates are filled in by the initial company. When the bill of lading comes in we check it off to see that they have added the proper arbitrary. For instance, we will say 30 cents to Copenhagen. If a man wants to ship something to Stockholm the rate will be 30 cents plus 5 cents arbitrary. When the bill comes through we see he has it in the bill of lading 35 cents.

The CHAIRMAN. This pool controls the through bill of lading to the points in the Baltic?

Mr. MCCARTHY. Yes.

The CHAIRMAN. No independent line can get a through bill of lading from Minneapolis to any point on the Baltic?

Mr. MCCARTHY. Oh, yes; the Cosmopolitan Line, when they were operating, got through bills of lading. Any line can get through bills of lading.

The CHAIRMAN. While they were operating were they not operating in harmony with the other lines?

Mr. MCCARTHY. No; up to three or four years ago they were operating independently of the other lines.

The CHAIRMAN. And since that time?

Mr. MCCARTHY. Since that time they have agreed with the other lines and then the other lines absorbed it and it is now closed up.

The CHAIRMAN. Have you any contracts with the railroads?

Mr. MCCARTHY. No; there is an arrangement made with the railroads to give us terminals, but no contracts.

The CHAIRMAN. With reference to the division of the rate?

Mr. MCCARTHY. No; the only thing is we are allowed to go to the terminals and discharge there and unload our cargo, but there is nothing in the way of division of rates, or anything of that sort.

The CHAIRMAN. Do you get the benefit of the export rates made by the railroads? The rate, for instance, from Minneapolis to Philadelphia, is that different from the rate from Minneapolis to—say Philadelphia—where the destination of the commodity is some foreign port?

Mr. MCCARTHY. I do not quite understand you.

The CHAIRMAN. For instance, suppose a party ordered a cargo of flour from Minneapolis for Copenhagen and another carload of flour from Minneapolis to Philadelphia?

Mr. MCCARTHY. To go to Copenhagen?

The CHAIRMAN. No; just for Philadelphia.

Mr. MCCARTHY. For domestic consumption?

The CHAIRMAN. Yes.

Mr. MCCARTHY. Then there is a difference in the rate.

The CHAIRMAN. The export rate?

Mr. MCCARTHY. The export rate is a lower rate; is lower than the domestic rate.

The CHAIRMAN. About what is the difference, if you remember it? Of course those rates are published, are they not?

Mr. McCARTHY. At a wild guess I would say 3 to 5 cents per 100 pounds, but I am not at all interested in the domestic rate, so I never pay any attention to that. They are published, though.

The CHAIRMAN. But they get the quotation at Minneapolis, both the export rate and the bill of lading is made there to the point of destination in the Baltic?

Mr. McCARTHY. Yes; as I say——

The CHAIRMAN (interposing). It shows the basic rate and also the through rate, does it not?

Mr. McCARTHY. It shows the through rate. We will say the rate from Philadelphia to Stockholm is 35 cents a hundred and the rate from Minneapolis to Philadelphia is 30 cents a hundred; the bill of lading will read 65 cents through to destination, divided as follows, 30 cents inland and 35 cents ocean.

Mr. HARDY. Is there that same difference on imports, when we come back; say you are shipping some freight from Stockholm to Minneapolis?

Mr. McCARTHY. Domestic freight—the rate from Philadelphia to Minneapolis is different, I think; no. I do not know.

Mr. HARDY. The bill of lading in that case would read from Stockholm——

Mr. McCARTHY (interposing). I think the domestic rate is higher than the import rate, but I do not know about that.

Mr. HARDY. Not like it is on the export?

Mr. McCARTHY. I really do not know. I might say yes, and I might be wrong.

The CHAIRMAN. How long have you been engaged in the steamship business?

Mr. McCARTHY. I have been connected with the steamship firms for all of my business life, but I have not always been in the steamship department. I was with Peter Wright & Sons; for about 35 years they were the largest shipping firm in their day. At one time they were the agents for grain elevators, and I was in the grain elevator department for a few years, and then they had a crockery department, and I was in the crockery department; then I was in the grain department, and then in the steamship department. Once I was in the passenger department, and in all their different departments, but most of the time I was in the steamship department.

The CHAIRMAN. Have you any suggestions to make to the committee as to what legislation might be desirable or necessary? I suppose you have kept in touch with the investigations made by this committee, have you not?

Mr. McCARTHY. I have read the accounts in the newspapers, but I have not discussed them at all. I really am not in position—I do not think I am in position—to make a suggestion, because I do not consider I would be an authority.

The CHAIRMAN. You have not given the matter sufficient study from that standpoint, do I understand you to say?

Mr. McCARTHY. No, sir.

The CHAIRMAN. To be able to make any recommendations to the committee, or any suggestions that would be of advantage to us? Do you think they ought to be regulated at all?

Mr. McCARTHY. I think it would be a good thing. I think it would be a good thing to have it overlooked. I did hear such a thing spoken of as having a filed tariff, which I do not think would be feasible at all.

The CHAIRMAN. Just give us your reasons for that.

Mr. McCARTHY. Well, my reasoning is that if there was a tariff filed there would have to be a time, a certain notice given, a certain days' notice before the rates could be changed. We have a steamer coming out now that is due in Philadelphia on Saturday. About a week ago I booked some grain for her at 4 shillings a quarter. We needed cargo, we needed it pretty badly; and at 4 shillings I can not get another pound for her, I can not get another pound at 3 shillings 9 pence, I can not get any at 3 shillings 6 pence. If we had a tariff filed at 4 shillings that steamer would have to go out light; if it would take 30 days to change that rate she would come here and go away without cargo. It is the supply and demand that regulates the rate.

The CHAIRMAN. You have to make a less rate in order to get the cargo?

Mr. McCARTHY. Yes; not only with grain, but with every other cargo. When freight is plentiful and offering freely, naturally we advance our rates; but when we want cargo we have to bring the rates down to the level where it will take the business.

The CHAIRMAN. And, from your standpoint, it would be impracticable to wait 30 days in which to do that?

Mr. McCARTHY. Yes; and it would not be of any use at all to make it for any less, because you would be changing it all the time.

Mr. HARDY. Let me ask you this: If shippers know this condition, that you are liable to get into a shortage of freight and have to reduce rates, are they not liable to wait for that condition before they give you freight?

Mr. McCARTHY. They do.

Mr. HARDY. If they knew there was a fixed rate, would not the business be more stable and reliable than it is at present?

Mr. McCARTHY. But maybe the business would not warrant the rate.

Mr. HARDY. The point I am getting at is, in those circumstances would you not be liable to fix a rate that the business would warrant?

Mr. McCARTHY. Well, suppose we were to fix 4 shillings, and the market would decline; other countries were to serve Europe so freely that even 3 shillings would not get the freight, we would not get the business. Suppose we would fix the rate at 3 shillings and the other countries were to pull out and the market go up, we would lose.

Mr. HARDY. You mean this country, having no power to fix the rates from other countries to South America—

Mr. McCARTHY (interposing). Yes; you see the man in London, for instance, has all the markets in the world to buy from. He buys from the lowest. If the United States is the lowest market he will buy from them, but if they go up 6 pence a quarter, or anything like that, he forgets there is any such place as the United States, and will go and buy from Russia or South America or any of them.

Mr. HARDY. Do not the same companies that run from the United States to South America in the main control freight rates from Europe to South America?

Mr. McCARTHY. No; you see the tramp steamers would come in. The tramp steamers would take full cargoes of grain. They regulate the grain rates principally.

Mr. HARDY. Must not these tramp steamers be mostly owned or controlled by charter by the regular lines?

Mr. McCARTHY. Oh, no. Three steamers have gone out within the last 30 days from Philadelphia with grain for the Baltic that have not anything to do with these lines. One steamer carried out nearly 10,000 tons of grain at 4s. 3d. per quarter, I think.

Mr. HARDY. Who was that steamer under the control of?

Mr. McCARTHY. I do not know who her owners were. It was the *Glassney Bay*. I think she is owned in London.

Mr. HARDY. Not chartered by any of the companies?

Mr. McCARTHY. She was chartered by Ames, Brooks & Co., one of the grain shippers of Duluth.

Mr. HARDY. Is it not a fact that these steamship companies, having large quantities of freight, very frequently make excursions into the chartering business?

Mr. McCARTHY. Yes; we have a steamer coming out now from the Baltic, being chartered to load a cargo westbound, on account of the delays during the last 60 days to our steamers. On account of bad weather and the accumulation of cargo we had to charter this steamer to bring freight out, because we were so congested there.

Mr. HARDY. That power of the shipper who has large amounts of freight is what enables such industries as the Steel Trust and Mr. Schwab, with his ore shipments, to dicker with the companies as to terms, is it not?

Mr. McCARTHY. I do not quite understand you, sir.

Mr. HARDY. Take a company, like the Steel Trust, that any minute might start an enterprise of its own in the shipping business, you would naturally be pretty tender in handling their freight or be willing to give them their fair terms as a business proposition to keep them from going into business, would you not?

Mr. McCARTHY. No; they can go in if they want to. Anyone can charter a steamer if they will pay the price.

Mr. HARDY. And the fact that they can is a considerable element in making your freight rates, is it not?

Mr. McCARTHY. Yes; that is competition which we have to meet.

Mr. HARDY. It is anticipated competition as well as real competition, is it not?

Mr. McCARTHY. Yes.

Mr. HARDY. You are shipping for the Schwab people, I believe you said, a million and a half tons?

Mr. McCARTHY. That is to cover a period of three years—500,000 tons a year.

Mr. HARDY. You have agreed on rates for that shipment, have you not?

Mr. McCARTHY. No; there were two or three different lines. We will say the Munson Line and the United States Shipping Co. made tenders to Schwab to carry the ore for so much, and Mr. Schwab gave his business to the lowest tender, which was the United States Shipping Co. There was no agreement on rates, though.

Mr. HARDY. How is it the lowest shipping company if you have no rates agreed on?

The CHAIRMAN. You have rates agreed on with Mr. Schwab, have you not?

Mr. McCARTHY. He pays so much freight on it, is all, but the United States Shipping Co. has not any agreement with any other steamship line.

Mr. HARDY. But you have an agreement with him as to the rates you will ship this million and a half tons for during the three years, have you not?

Mr. McCARTHY. Yes.

Mr. HARDY. And that guarantees Mr. Schwab is not going into the charter business?

Mr. McCARTHY. Yes. He has closed the contract for three years to bring up this ore with the United States Shipping Co. Now the United States Shipping Co. furnishes steamers to load at Santiago and bring that ore up to Philadelphia and put it alongside the pier, and it is taken up to the Bethlehem Steel Co.

Mr. HARDY. It is by these large contracts that you, in a measure, prevent the chartering by interested parties of tramp steamers to-day for the work?

Mr. McCARTHY. Yes. That is, we do it instead of letting Mr. Schwab go and do his own work.

Mr. HARDY. Mr. Schwab has his own ore beds in Cuba, has he not?

Mr. McCARTHY. Yes; his own ore beds are in Cuba, and he has his foundry—his steel plant—up in Bethlehem, and he finds that on account of the United States Shipping Co. being in business they can handle the stuff better than if he was to charter boats himself.

Mr. HARDY. In other words, if you are at all reasonable, he finds it better to use you than to start an enterprise of his own?

Mr. McCARTHY. Yes; but if he wanted to start an enterprise of his own there is nothing to prevent it.

Mr. HARDY. I understand that, and many of those large companies have started new enterprises which have been the basis of the organization of new companies; is not that true?

Mr. McCARTHY. Yes; a good many of them started them just to bring the steamship companies to terms; then they withdrew.

Mr. HARDY. That is what I was trying to get at. You have to come to reasonable terms or else you will have those large producers in the field?

Mr. McCARTHY. Yes.

The CHAIRMAN. You spoke of some sort of supervision. Would you indicate to the committee to what extent that supervision should go, and where the power should be lodged?

Mr. McCARTHY. I should think it should be lodged in Washington.

The CHAIRMAN. In the Interstate Commerce Commission or some like commission?

Mr. McCARTHY. Something similar; yes.

The CHAIRMAN. Do you think that these different lines—for instance, the lines engaged in the Baltic pooling—should be required to file their agreements with the commission?

Mr. McCARTHY. If there is a commission going to supervise it, it ought to know just what it is doing.

The CHAIRMAN. And should they not have the power to determine, on hearings, whether or not that agreement contains any provisions

that pertains to a monopoly, or is unfair or unjust as between the company and the shipper?

Mr. McCARTHY. I should think that would be the object of the commission, to determine.

The CHAIRMAN. But so far as rates are concerned, the conditions are such you would regard it as impracticable to file the rates?

Mr. McCARTHY. Yes; as regards rates, I think that should be left to the companies.

The CHAIRMAN. Would that apply to manufactured goods as well as to grains, etc.?

Mr. McCARTHY. I think it should apply to everything. It would not do for the commission to make rates on one commodity and not on the other. I think it should apply to everything, but if the rates are supervised, and if there is anything wrong, why, they should have the power to correct it.

The CHAIRMAN. To give the shipper his remedy. Do you think the contracts of the companies with the shippers should be filed with the Interstate Commerce Commission? In other words, should there be discrimination permitted as between shippers?

Mr. McCARTHY. Well, I think if the commission was to supervise the rates, they should see there was no discrimination.

The CHAIRMAN. Do you think discrimination should be prohibited?

Mr. McCARTHY. Yes; I should think so. Well, of course, now I do not know. I will qualify that. It would depend on the volume of business a great deal. I do not think a man shipping 10 tons should get the same rate that a man shipping 100,000 tons should get.

The CHAIRMAN. But in any event, that question should also be subject to supervision?

Mr. McCARTHY. Yes.

The CHAIRMAN. What do you think about deferred rebates, whether or not they should be permitted?

Mr. McCARTHY. Well, I do not know anything about that.

The CHAIRMAN. Have you ever had any experience with them?

Mr. McCARTHY. No; I never had any experience with them at all.

The CHAIRMAN. Do you think pooling ought to be permitted?

Mr. McCARTHY. I do; yes. I do not see anything irregular in pooling; not as long as it is not in restraint of trade.

The CHAIRMAN. You think it does not tend to unreasonable rates? You think so long as the shippers get a reasonable rate and the service is thereby improved there is no objection to pooling?

Mr. McCARTHY. I do not see any objection to it. If agreements are permitted pooling should be permitted. I have heard it remarked by gentlemen of authority that it was the only safe way of making an agreement, because the lines would have to live up to it, if they pooled, but if they did not one might not live up to it.

The CHAIRMAN. Is there any discrimination between shippers on the contracts you make with them?

Mr. McCARTHY. No; they are our rates to everybody.

The CHAIRMAN. Do all shippers by your line get the same rate?

Mr. McCARTHY. Of course, as I say, if they make large contracts they are made in New York. We will say the International Harvester Co., for instance, will ship several hundred thousand tons of machinery; that is made up by special contract.

The CHAIRMAN. And they get a special rate, do they not?

Mr. McCARTHY. Yes.

The CHAIRMAN. And of course one provision of that contract is that they shall ship so much and that they shall ship by conference lines?

Mr. McCARTHY. Yes.

Mr. HARDY. Is not the effect of giving special rates to special large contracts simply to place a still greater power in the big concerns to crush out the little ones? If the Harvester Co. can get one-half the rate that any other manufacturer of the same goods can get, that adds to their advantage over the independent concern, does it not?

Mr. McCARTHY. It adds to the cost, yes; but then, looking at it from the steamship standpoint, the volume of freight is worthy of some consideration.

Mr. HARDY. Very true, but if you were required to fix a definite rate for all parties that would put all parties on equality, so far as shipping?

Mr. McCARTHY. Yes.

Mr. HARDY. And your discriminating so as to give a 100,000-ton man 20 per cent over the 10,000-ton man knocks that 10,000-ton man out, does it not, in the trade?

Mr. McCARTHY. I do not know of any 10,000-ton man in the trade.

Mr. HARDY. I am just illustrating.

Mr. McCARTHY. Well, say a local shipper in Philadelphia will forward one car, or something like that, I do not think he ought to have the same rate as the man who will ship 100,000 tons.

Mr. HARDY. But the privilege of making that distinction is the basis on which the big man slaughters the little man, is it not?

Mr. McCARTHY. It seems that way.

Mr. HARDY. As a matter of fact, such discriminating is in favor of the big man, is it not?

Mr. McCARTHY. Yes.

Mr. HARDY. Ought that be permitted if we want at all to have any independent concerns in this country?

The CHAIRMAN. I understand you to say that no contracts are made in Philadelphia between the shippers and your line; that they are made in New York?

Mr. McCARTHY. Excepting with local shippers in Philadelphia, we would make a contract—well, we do not make the contracts. If they want to make any contracts we make a contract for one year, but large shipments are booked in New York by the general agent. Now, for instance, this International Harvester contract, that material has gone out from Philadelphia, New York, and Baltimore; the contract is made in New York. All I know is we get advice of so many tons reserved, so much space for a certain steamer.

The CHAIRMAN. The contract is made in New York?

Mr. McCARTHY. Yes.

The CHAIRMAN. And you have no personal knowledge of it?

Mr. McCARTHY. I have nothing to do with it.

The CHAIRMAN. You do not have it in your possession, do you?

Mr. McCARTHY. No.

The CHAIRMAN. Have you any of these contracts in your possession?

Mr. McCARTHY. No; we might have a copy of the rates, but I do not know that we have.

Mr. HARDY. My understanding of the effect of your testimony is you have rates which are open and uniform to the small man and the public generally, but that you have any number of special contracts?

Mr. McCARTHY. There are a few special contracts for large shippers.

Mr. HARDY. Entirely different?

Mr. McCARTHY. Yes, sir.

The CHAIRMAN. Of which the International Harvester Co. is a sample?

Mr. McCARTHY. Yes, sir.

Thereupon, at 11 o'clock a. m., the committee adjourned to meet again at 10.30 o'clock Wednesday, January 29, 1913.

WEDNESDAY, JANUARY 29, 1913.

The committee met at 10.50 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Ayres, Thayer, Burke, Porter, and Stephens.

The CHAIRMAN. Mr. Bull, you may take the stand. I understand you wish to continue your statement.

TESTIMONY OF MR. ERNEST M. BULL—Resumed.

The CHAIRMAN. Mr. F. Kingsbury Curtis was before the committee the other day and made some statements in reference to the Insular Line and its relations to the New York & Porto Rico Steamship Co. If you have anything further to add, we would be very glad to hear you.

Mr. BULL. On page 145 Mr. Curtis states, in answer to the question, "What other lines were engaged in that trade when the Insular Line went in?"—

At that time the Red D, the New York & Porto Rico Steamship Co., and the Benner Sailing Line; and Mr. Luckenbach had at different times started his boats intermittently in the trade. His boats were well known in the island, and he had a certain good will, not really a line.

The CHAIRMAN. That is a quotation, is it?

Mr. BULL. Yes, sir. The Luckenbach boats were running there at that time—

The CHAIRMAN. That was at what time?

Mr. BULL. 1905 and 1906; but Mr. Curtis does not go on to explain, as he might have, that they were running as the Peck Steamship Line. The Peck Steamship Co., or the Peck Line, was started by the present general agent, W. E. Peck & Co., of the Insular Line, I believe, in about 1904 or 1905. In 1905 a member of the firm of W. E. Peck & Co., or one of their representatives, while in Porto Rico in the interest of their firm as commission merchants, evidently was impressed by the fact that the New York & Porto Rico Steam-

ship Co. had a virtual monopoly of the transportation business between the United States and the island. As is usually the case, the Porto Rico Line was more or less unpopular—where there is only one line and they have their own way. He became interested in starting a new line, and it is variously reported as to the amount of cash he raised in Porto Rico for that purpose. It is generally supposed that a number of Porto Rican merchants subscribed about \$50,000, and with the cash W. E. Peck & Co. added to this the Peck Line was started, and with W. E. Peck & Co., as general agents, controlling the majority of the stock of the company. They established lower rates than the New York & Porto Rico Steamship tariff, which immediately brought on a freight war between these two companies—

The CHAIRMAN. That is between—

Mr. BULL. The Peck Line and the New York & Porto Rico Steamship Co. This continued, I believe, until some time in 1906, both companies losing a very considerable amount of money. I believe in August or September of 1906 W. E. Peck & Co., as general agents of the Peck Line, sent out a statement to their stockholders that certain persons, whom they were not at that time at liberty to mention, had made them an offer to take over the Peck Line and continue its existence. In their opinion—in Peck's opinion—the merchants of Porto Rico were anxious to have the line continued, and as all its funds had been exhausted in the freight war the majority of the stockholders had decided to accept this offer. W. E. Peck & Co. continued to act as general agents, and immediately after the name of the company was changed to the Insular Line.

The CHAIRMAN. The Insular Line was incorporated, and then the business continued?

Mr. BULL. Yes, sir.

The CHAIRMAN. In the name of the Insular Line?

Mr. BULL. Yes, sir.

The CHAIRMAN. And that is the line that F. Kingsbury Curtis says he owns?

Mr. BULL. Yes, sir. As the Peck Line, they ran a service from New Orleans as well as from New York. As soon as it became the Insular Line the service from New Orleans to Porto Rico was discontinued and the New York & Porto Rico Steamship Co. had that field to itself. The tariff of the New York & Porto Rico Steamship Co.—

The CHAIRMAN. You regard that as signifying the Insular Line and the New York & Porto Rico Steamship Line are not, in fact, opposition lines?

Mr. BULL. I should not think it would just happen. The New York & Porto Rico Steamship Co. put its rates back to the published tariff and the Insular Line maintained the New York & Porto Rico Steamship Co.'s tariff, less varying percentages, I believe, not exceeding 16½ cents. This difference in rates about covered the difference of the cargo insurance between the two lines. As Mr. Curtis has stated, his boats were older, and merchants who shipped by them had to pay higher rates of insurance than they did via the Porto Rico Line.

Mr. HARDY. That would be a very great difference, though, 16 per cent, would it not?

Mr. BULL. Not on the rate—not on the rate. You see that 16½ per cent might be on goods that were valued—dry goods, boots, and shoes, where they come in rather small cases. The cases are not very large, but a case may be worth \$500 or \$600.

Mr. HARDY. While the insurance of 2 or 2½ per cent would not make much difference.

Mr. BULL. Two per cent insurance would amount to 16 per cent of the rate very easily.

Mr. HARDY. Yes; I see.

Mr. BULL. Mr. Curtis stated in his testimony that he is the Insular Line. According to Moody's Manual Mr. F. Kingsbury Curtis was secretary and treasurer and a member of the board of directors of the United States & Porto Rico Navigation Co. during the years 1903, 1904, 1905, and 1906, or up to the time that his company was bought by C. W. Morse. He undoubtedly held this same position in 1900, at the time of the organization of the United States & Porto Rico Navigation Co. as a holding company, holding the property operated by the New York & Porto Rico Steamship Co. of New Jersey, but I have been unable to get hold of Moody's Manual back of 1903, so I can not confirm that. The United States & Porto Rico Navigation Co. was the holding company, or parent company, which owned all of the property operated by the New York & Porto Rico Steamship Co. of New Jersey. After Mr. Morse bought control of it in April, 1907, the New York & Porto Rico Steamship Co. of Maine became the successor of the United States & Porto Rico Navigation Co. You, therefore, will see that according to Mr. Curtis's testimony on page 1425 he states the Insular Line was started in the fall of 1906. I do not think it is too much to assume that Moody's Manual is correct, and at the time the Insular Line was started that Mr. Curtis was secretary and treasurer and a member of the board of directors of the United States & Porto Rico Navigation Co., which controlled all the property operated by the New York & Porto Rico Steamship Co. of New Jersey.

The CHAIRMAN. This Maine corporation took over what property?

Mr. BULL. The United States & Porto Rico Navigation Co.

Mr. CHAIRMAN. That was taken over by the Maine company?

Mr. BULL. By the New York & Porto Rico Steamship Co. of Maine. The New York & Porto Rico Steamship Co. of New Jersey was also taken over by the Morse interests, but that was left as it was, an operating company, and has continued as an operating company.

The CHAIRMAN. State what its relation is to the New York & Porto Rico Steamship Co. of Maine.

Mr. BULL. The New York & Porto Rico Steamship Co. of Maine is now the parent company, as Mr. Mooney testified, and the New York & Porto Rico Steamship Co. of New Jersey continued as the operating company. Mr. Mooney further stated that the New York & Porto Rico Steamship Co. of Maine was owned in turn by the Atlantic, Gulf & West Indies Steamship Co., a corporation which, I understand, was formed to take over the Morse interests after their failure.

You see, the New York & Porto Rico Steamship Co. of Maine is the successor of the company that Mr. Berwind—John E. Berwind—sold to Morse. When Mr. Berwind owned it, it was called the

United States & Porto Rico Navigation Co., and when that company was sold to Morse he changed it to the Maine corporation of the New York & Porto Rico Steamship Co. It was in April, 1907, he organized that company.

Mr. HARDY. What is Mr. F. Kingsbury Curtis's relation to the New York & Porto Rico Steamship Co. of Maine, as he testifies?

Mr. BULL. I believe he had no relation.

Mr. HARDY. Except to charter boats?

Mr. BULL. Except that after they got in this Morse combine, I believe he claims or states that he straightened the matter out and acted for Berwind, and then afterwards acted for several creditors, and straightened the affairs out and handed it over to the Atlantic, Gulf & West Indies Steamship Co., which continued to operate it.

The CHAIRMAN. And then organized the Insular Line?

Mr. BULL. I have been unable to find any published statement as to the board of directors of the New York & Porto Rico Steamship Co. of New Jersey prior to the time it was bought by Mr. Morse. I would not be surprised, however, to learn that Mr. Curtis was a director in this company as well as the parent company.

The CHAIRMAN. What you want us to understand is that at the time F. Kingsbury Curtis organized the Insular Line he was the secretary and treasurer of the United States & Porto Rico Navigation Co.?

Mr. BULL. Yes, sir; according to Moody's Manual.

The CHAIRMAN. Is that the company which controlled the New York & Porto Rico Steamship Co.?

Mr. BULL. Yes, sir; the operating company.

The CHAIRMAN. Yes.

Mr. BULL. But I have been unable to find whether he was on the board of the operating company as well, because there does not seem to be any published statement as to who the officers of that company were.

The CHAIRMAN. But you say that of the New York & Porto Rico Navigation Co. he was secretary and treasurer?

Mr. BULL. Yes, sir. It would therefore appear that at the time Mr. Curtis borrowed \$15,000 to put in the Insular Line he was secretary and treasurer and a member of the board of directors of the United States & Porto Rico Navigation Co., which, indirectly, through the New York & Porto Rico Steamship Co., was in direct competition with the Peck Line. If he was not a director of the New York & Porto Rico Steamship Co. of New Jersey, the operating company, there is no doubt that others on the board of the Navigation Co. were also members of the board of the Porto Rico Steamship Co. of New Jersey, and I think there can be little doubt that they were fully acquainted as to Mr. Curtis's plan when he bought the Peck Line and changed it to the Insular Line.

I think that no testimony has been brought out in reference to the United States & Porto Navigation Co. as to whether any arrangement or understanding was made with Mr. Curtis and that company or with any other person or persons, or the Insular Line, or with W. E. Peck & Co. The officers and directors of the United States & Porto Rico Navigation Co., as shown in Moody's Manual, for the years 1903, 1904, 1905, and 1906, are: John E. Berwind, president; J. Berwind, vice president; F. Kingsbury Curtis, secretary and

treasurer; Gordon MacDonald, J. M. Cabellos, J. S. Fiske, Henry P. Booth, and S. P. Savage.

To go back to this Peck Line a minute, Mr. Curtis speaks of the Luckenbach boats as operating between New York and Porto Rico at that time. The Peck Line had the Luckenbach boats under time charter. The Peck Line did not have the arrangement that the Insular Line afterwards had about this 10 per cent deduction in case he chartered to anyone else. So Luckenbach played one against the other. He would get the Porto Rico Line after one of his boats, and then he would get the Insular Line after one of his boats, and he got a mighty good price for them in that way.

Mr. HARDY. You mean he would get the Peck Line and the Porto Rico Line?

Mr. BULL. Yes. The Peck Line and the Porto Rico Line. Now, Mr. Curtis also states that he did have an arrangement that Luckenbach was not to charter to the Porto Rico trade. But the fact was not brought out that the Porto Rico Line can charter Luckenbach's boats to the Porto Rico trade.

The CHAIRMAN. You mean the New York & Porto Rico Steamship Co.?

Mr. BULL. The New York & Porto Rico Line.

The CHAIRMAN. The evidence shows that they have those boats chartered, and Mr. Curtis himself says it was under an arrangement by which they were not to charter any of those boats to any other company in that territory.

Mr. HARDY. That is the Insular Line?

Mr. BULL. That is the Insular Line had them chartered.

The CHAIRMAN. Was it the Insular Line that had the contract with Mr. Luckenbach?

Mr. BULL. Yes, sir. But Mr. Mooney, in talking of boats, market rates, and charters, at one time told me he was thinking of taking one of the Luckenbach boats, and we were trying to charter him one of our boats to Porto Rico, showing conclusively that this agreement is in effect now, because if the Insular Line would take our boats we could not charter to any outsider.

The CHAIRMAN. He claimed it was entirely fair for him to impose that condition.

Mr. HARDY. The difference you are getting at is that the Insular Line made a contract with the Luckenbachs forbidding them to lease with the competitors, except the New York & Porto Rico?

Mr. BULL. That is it.

Mr. HARDY. Which was permitted under the contract?

Mr. BULL. Yes, sir.

Mr. HARDY. And therefore your conclusion is that the New York & Porto Rico and the Insular Line were working together?

Mr. BULL. Yes, sir. At the time we started our service to Porto Rico, we commenced with a contract to carry a certain amount of sugar. We did not seriously consider at that time putting our boats on the berth, as they call it, and taking package freight from whom ever we might get it. The first boat that went out after a cargo of sugar, I believe, we sent in ballast. The second boat that went out, the sugar company with whom we had the contract had a certain amount of freight to go from Philadelphia. We loaded that right to the port where the sugar was to be loaded. The third boat that

was going out was in New York, and we had nothing for her to carry out, so I called up the New York & Porto Rico Line, and asked for Mr. Mooney. He was out of town. I told his secretary we had a steamer that was going out to Porto Rico and wanted to know if they could not use her outward. He said no. I then called up Mr. Phillips, of the Insular Line, and asked him if he could use the steamer outward. He said, "I think possibly I can, but you will have to let me have it in hand for a while until I can see our people." That went on without my getting any answer for two days. In the meantime, as we had not gotten any business for her, we looked around the market to find out what freight would be going that we might get. We got an option on about 800 tons of freight. I told Mr. Phillips finally, after two days and a half, that if he could not come to a decision I would have to take what I could get and send my boat out. "Well," he said, "I can not blame you for not waiting any longer; you have given me a good chance, but I can not reach my people—they are out of town—and I can not answer until I do." We took this 800 tons of freight and advertised our boat as being on the berth to take anything else that was offered. Naturally, with a boat which people did not know whether we were going to continue or not (although many of the shippers knew us, others did not know us), we had to offer some inducement, and we made the rates, as they say, 20 per cent lower than the prevailing tariff.

The day we issued that card, Mr. Phillips came to our office and said, "I will take that boat out." I said, "It is too late, Mr. Phillips; we have already contracted to take a certain amount of freight, and I think we are going to get some more." He said, "Well, I will take your contract off your hands." I said, "No, I do not see how we can do that; I think we will have to run her ourselves now." He said, "What do you want?" I said, "I do not want anything; if you have any proposition to make, make it." He said, "Well, I have not any proposition at the present time. I may have something to say to you to-morrow." The next day he came in. He said, "We will take all your Porto Rico contracts off of your hands at exactly what you have taken them for. We will charter three of your boats during the winter months, at a price based on \$7,000 a month." Then we would have the option, if we wanted them to take a fourth boat, of putting the fourth boat in on 30 days' notice to them. He said, "I think you will make more money this way than you will running them for yourself; I do not consider there is room for three lines there going to all ports." I said, "I think there is; but tell me this: If you do not think there is room for all the three lines there that touch at all points, how is it that you can take our boats? It seems to me that if you can take our boats and run them we ought to be able to do it ourselves, unless you have some arrangement with the Porto Rico Steamship Co. or you and the Porto Rico Steamship Co. are the same thing." He said, "No, no; we have no arrangement with the Porto Rico Steamship Co." I said, "How can you do it, then?" He said, "The situation is this: There is no arrangement, but as long as we maintain the rate we are now taking, there will be no fight between the Insular Line and the Porto Rico Steamship Co." We absolutely refused; we said "We have gone ahead now and given our word to some of the merchants that we were taking freight and would continue to take freight on that dis-

count under the regular tariff," and we have continued doing that. They at once, according to their circular letters, or circulars which Mr. A. H. Bull has submitted, started to take at lower rates than we ever did take freight for, and they would have you believe that we were the ones that started the fierce cutting, and it is not so. It is not so! I see in another part of the testimony—

Mr. HARDY. Right along there, while you are talking with reference to that conference you had with Mr. Phillips or Mr. Curtis, did you make a proposition to them to agree to fix rates providing a differential was given to your company of, say, 20 per cent?

Mr. BULL. No, sir; we have never agreed on anything with them.

The CHAIRMAN. Did you propose it?

Mr. BULL. I beg pardon?

The CHAIRMAN. You know Mr. Mooney said that you came to them and proposed a workable agreement by which rates were to be maintained?

Mr. BULL. I was not present at any of the conferences with Mr. Mooney, but I know that there was no such offer made or no such suggestion made. Probably what was said was this: That if we were both losing money on the rates as they were, as they are to-day, that there should be some way that we could stop losing money. I know father's opinion all along has been that there was no law, as long as we were fair to the merchants and gave them fair rates, which could compel us to continue losing money. Where the rates are down, anybody will admit it is a losing proposition. They admit it. But as far as making them an offer to do anything of the kind, in everything that was talked over it was distinctly stated that whatever was done, or whatever could be done, would have to be perfectly straight and aboveboard and counsel would have to say we were right and there was nothing wrong in it and we would have to be fair to the merchants. Mr. Curtis's last proposition to us was this: That if we would put our rates back to the same rates that the Porto Rico Co. had, through Mr. Berwind, he thought he could reach Mr. Mooney and could get Mr. Mooney to agree to that. We declined to enter into any such agreement.

I had the last interview with Mr. Curtis during all that time. He said he understood father differently. I said, "No; I do not think you did." When I got back to the office Mr. Curtis had called father on the telephone and said, "Well, Ernest has a very different idea than you have." Father said, "No; I think you have misunderstood me."

Right in that connection I want to say this: Mr. Curtis has made it appear here as if we were the ones that were doing the running. We never went to see Mr. Curtis unless Mr. Curtis called us on the telephone and suggested that we should. I want to say also that in one case we told Mr. Curtis we had been down to see him several times, and suggested that he come to our office, and he said, "I think, as you are in a building where there are a great many steamship companies, it would be better if you come down here and see me." So we did. It is true, as he says, that he has not been in our office for 10 years, but it is not true that we kept seeking him, because after several of the conferences we saw there was nothing that could be done. We dropped the matter—did not intend to go near him—and he called us up on the telephone again.

Mr. HARDY. I think Mr. Mooney's testimony is to the same effect, that every effort to compromise with his company was at your initiative.

Mr. BULL. Yes, sir; that is his testimony.

Mr. HARDY. And it is also his testimony that your proposition was to establish the old rates, with the differential in your favor.

Mr. BULL. The way they get at that—

Mr. HARDY. That was his testimony?

Mr. BULL. Yes, sir. The way they get at that is this: When we first started to run down there they asked us what we wanted. We said we wanted to run two steamers to take about 60,000 tons of sugar out of Porto Rico, and run a steamer every two weeks to Porto Rico with general cargo. They asked us later on what we wanted to do. We said we had not changed what we wanted to do in the first place; that is, to take 60,000 tons out of Porto Rico in the wintertime and run two boats with general cargo out of Porto Rico every two weeks. We said all along that we could make absolutely satisfactory returns on our investment at 20 per cent off their rates. That is what we said we would maintain, because we had told merchants we would not go higher than that.

Mr. HARDY. Were your boats older than theirs, and the insurance rates on them any higher than on theirs?

Mr. BULL. No, sir; our boats were new. We built two boats especially for the trade.

Mr. HARDY. That arrangement, then, if it had been consummated, would have given you a distinct advantage?

Mr. BULL. No. They are the older company, but they have built some new boats as well as we have, and their insurance and our insurance is just the same. We get just as good insurance rates on our steamers as they on theirs.

Mr. HARDY. Therefore, if you had had an agreement by which you gave them a differential, it would have given them a distinct advantage?

Mr. BULL. Not exactly, because we were running only every two weeks. Now, a man that has shipments coming constantly, right straight along, will give his business to the company that runs every week—the company that has the more frequent sailings.

Mr. HARDY. Do you think the difference of 20 per cent would not overbalance that?

Mr. BULL. I think 20 per cent less than their tariff is a fair tariff. I think when you get higher than that it is pretty swift in ordinary times. Of course, in the last six months rates have been very high for general ocean traffic, and they have not been so much out of line. But Mr. Curtis's last proposition was that the Porto Rico Co. run about 13 boats in two months, the Insular Line run about 7 boats in two months, and we run 4 boats in two months. He said that would about take care of the present traffic, that each line would get from 80 to 90 per cent full cargo—or, at least, he said: "That is what Mr. Phillips tells me he is getting now running that number of boats; Mr. Mooney tells me he is getting about the same thing; and you tell me you are getting about the same thing. Therefore, if all the rates should go back to the Porto Rico tariff, we would all get the same thing, practically, but your rates would be greater."

Well, as I told him, "If the boats that are now running there are just taking care of the traffic, why don't you go ahead and put your rates back?" If we do not put our rates back, it will come out of our pockets, then, and nobody else's. As we have told you all along, at the present time we only want to run the two boats. There is no agreement about it or anything of the kind, but any difference in the rates that we make would not affect you, if it takes that number of boats to carry the traffic to and from Porto Rico. It would come out of our pockets, so we do not see why you want us to enter into any such agreement." And he said, "Well, he could not get Mr. Mooney to accept any such arrangement as that. We—the A. H. Bull Steamship Co.—would not pledge ourselves to put the rates back the same as the Porto Rico Line." He said, as far as the line was concerned, he still thought they ought to have some differential to equalize the insurance.

The CHAIRMAN. Your boats are better boats than those of the Insular Line?

Mr. BULL. Yes, sir; we think so. They have some boats that are comparatively new, but I think our boats take less insurance than their new boats.

The CHAIRMAN. Are your boats now used in that trade American built?

Mr. BULL. Yes, sir; built at Newport News. One of them came out last June and the other one last July or the 1st of August. They are new boats.

Mr. Post. What flag do they carry?

Mr. BULL. The American flag. All our steamers are under the American flag.

The CHAIRMAN. Those new boats have come into the trade since June and July last?

Mr. BULL. Yes, sir.

The CHAIRMAN. The rate cutting began before that time.

Mr. BULL. Yes, sir; we have two other new boats that we were running out there. In the last three years we have built six steamers.

The CHAIRMAN. The other steamers you were running in that trade were American-built steamers?

Mr. BULL. Yes, sir.

Mr. HARDY. Mr. Bull, were you asked the other day whether you had any suggestion as to any new legislation with reference to this situation?

Mr. BULL. No, sir. My opinion is that there should be some plan by which lines or conferences can make the rates, subject to the approval of some board such as the Commerce Commission, to see that they are proper rates, and also to see that the conference does not combine to freeze out of the game anyone else who is really entitled and responsible who wishes to come in that same trade. With such a commission or board to supervise the making of rates or pools or conferences, I think you would get stability of your steamship business without doing any harm to the shippers.

Mr. HARDY. You think you would get stability without oppressive rates?

Mr. BULL. Yes, sir. I think if you let a conference act on its own initiative, let it do as it pleases without any supervision, it would work a hardship to the shipping people.

Mr. HARDY. You would have a freeze-out as to outsiders and oppression as to rates?

Mr. BULL. Yes, sir; but if it was legal—still we have rate conferences now among the railroads, and as long as they do not make rates that are exorbitant the commission finds no fault with them.

Mr. HARDY. You are not engaged in the foreign trade at all, are you?

Mr. BULL. No, sir.

Mr. HARDY. Your suggestion is simply with reference to the coast-wise trade?

Mr. BULL. I think it could be followed everywhere. Of course, I do not know what legal obstacles are in the way of operating it in the foreign trade.

Mr. HARDY. Do you think it would be any hardship on the shipping interests—I do not mean shippers, but the carriers—to require them to give 30 days' notice before they change their rates?

Mr. BULL. I think 30 days' notice is too long in the shipping business, because there are too many varied conditions that you have to meet. I think it has been brought out here in reference to the way cargoes are sometimes required. Although modern steamers in many cases, or most cases, do not need that ballast, the older boats have to have it.

Mr. HARDY. You think that if you had a minimum rate the need of cargo would sometimes almost force you to take freight at any rate or take it free?

Mr. BULL. There are times. For example, suppose in the coast-wise trade you have a cargo that you are going to move north from the Gulf. You have a boat that is a little prompt and you want to use up a few days' time. There is not anything in the market going down unless you make an inducement for somebody to buy a cargo of coal or buy a cargo of cement and ship it. If you can get anything for the time of that ship it is better to take what you can get. That does not hurt anything. The merchants get the advantage of that situation. So sometimes they carry those freights really lower than the cost when you figure in the interest on your investment and everything else.

Mr. HARDY. That would leave you, then, as opposing any minimum tariff?

Mr. BULL. The tariff is a mighty difficult thing to fix, I am thinking. I do not know just how you will fix it.

Mr. HARDY. You could have a published tariff if you did not have a minimum tariff, or what would be the use of it?

Mr. BULL. The minimum tariff would be this, that it would be understood that the conference lines would not cut under that; that they would all give due notice they were going to lower it; anyone going to lower it would let all know it.

Mr. HARDY. How could you do that if you have boats in port ready to go and wanted to load up and could not get any freight without offering special inducements, the very case put a moment ago?

Mr. BULL. I do not know how. That comes under the tramp boats that are liable to butt in anywhere, and, frankly, I do not know how.

Mr. HARDY. Rates fixed on all except bulk cargoes?

Mr. BULL. Yes; I think they could be.

Mr. HARDY. In other words, if you agreed on a rate for the ordinary package and you found it necessary to fill out a vessel with ballast, or something of that sort, you could take on some cheap bulk cargo at whatever rate you saw proper, could you not?

Mr. BULL. Yes; you could fix up on cement. Of course, a lot of cargoes you would not put in bulk; you could take cement, steel rails, and things of that kind.

Mr. HARDY. Could you make a schedule that would have that flexibility so anybody could fill an empty vessel and at the same time not violate the published rates?

Mr. BULL. I believe it could be worked out.

Mr. HARDY. That could only be done by specifying what commodities should be given the rate and leaving certain other bulkier commodities somewhat loose?

Mr. BULL. Yes, sir.

The CHAIRMAN. But how would such a law as that, requiring them to publish their rates and to give certain notice, work in our foreign trade, where there is sharp competition between our merchants and the merchants abroad?

Mr. BULL. I do not feel competent to answer that. Our business is almost entirely confined to the coastwise trade, and I would rather not express any opinion on that.

The CHAIRMAN. Does it not occur to you that it might work serious injury to our trade, whether in bulk cargo or commodity freight?

Mr. BULL. It is a mighty hard proposition, Mr. Alexander, and I do not know how it would work out. It looks all right at first, but it is a difficult question.

Mr. HARDY. Whatever would apply to the trade to Porto Rico would apply to the trade to Cuba, for instance, would it not?

Mr. BULL. Yes; I think it would.

Mr. HARDY. And why not to the balance of the world?

Mr. BULL. Yes, sir. I think this, that any trade where a third line or a fourth line or a fifth line comes in and secures a certain amount of business, there should be something, some arrangement, some way to allow that line to continue on a reasonable basis.

The CHAIRMAN. To check the other lines from freezing it out?

Mr. BULL. Yes, sir.

The CHAIRMAN. Let us suppose two lines are in the trade, are giving efficient service, and their rates are reasonable. There is no occasion for a third line under those circumstances, is there?

Mr. BULL. If two lines are giving efficient service and their rates are reasonable, a third line will have a mighty hard time getting in, even if it cuts its rate all to pieces.

The CHAIRMAN. As a business proposition, investors would not care to engage in that trade, would they?

Mr. BULL. If people are satisfied they do not have very much chance to get in. It is because of dissatisfaction the third parties have a chance to get in.

The CHAIRMAN. Somebody feels that they are being imposed upon, do you mean?

Mr. BULL. Yes, sir.

The CHAIRMAN. The rates are not reasonable, or the service is not efficient, and they are taking advantage of them because they have a monopoly?

Mr. BULL. Yes, sir; they get arbitrary where they have the whole thing; a man thinks it belongs to him, and he gets to assuming it does belong to him.

Mr. HARDY. They are not polite any more?

Mr. BULL. No; not as polite as they might be.

The CHAIRMAN. Until your line concluded to enter the Porto Rican trade the relations between the New York & Porto Rico Steamship Co. and the Insular Line were entirely amicable, were they not?

Mr. BULL. To all outward appearances there was perfect harmony.

The CHAIRMAN. I understand, from investigations in Porto Rico, you found there was dissatisfaction in the service, because there was no competition between those lines, and the rates were unreasonably high?

Mr. BULL. Yes, sir. I do not think the merchants kicked so much about the rates as they did about arbitrary treatment at times. I think they felt that they did not want to take in a certain port, and a man who had some machinery going there, where they had a coastwise service, they would charge him for carrying the stuff to San Juan, then make an extra charge to go around to this port. There was more or less delay, and sometimes with machinery it is very important to get there in order to get your mill ready for grinding in the season, and I think there were frictions of that kind in several instances that made the men complain more than the rates, although the rates were extremely high; they would be very, very profitable to any concern. I think Mr. Curtis, in his testimony, demonstrated that very conclusively when he said that he borrowed \$15,000 to put into that Insular Line, and he states—that was in 1906—he says he borrowed that amount, and it is 1913 now. We have been running since 1911. He says he now has over \$100,000 in his treasury, and he had more before we started, so it looks to me as if they were pretty good rates, because he was paying a profit to the man who chartered the boats to him. You see there are two profits in that. Luckenbach was getting a good profit for his charter. Mr. Curtis, of the Insular Line, was buying the transportation wholesale and peddling it out retail, and he made, in a period of a little over four years, over \$100,000 on a \$15,000 capitalization to start with. I consider that is a pretty good business.

The CHAIRMAN. Is there anything else?

Mr. AYRES. You are, I believe, in favor of Government regulation?

Mr. BULL. Yes, I am; I should welcome it.

Mr. AYRES. How far do you think Government regulation ought to go over the rates and the facts of steamship competition?

Mr. BULL. I do not believe that we, or you, will find you can get anything that is just going to work the very way you would like it to. I think publicity, possibly, in all package-freight business and all line business is important. On your bulk cargoes and for cargoes of one commodity—instead of bulk cargoes, I should say full cargoes of one commodity, because it may be things that would not be known as bulk cargoes, don't you know—I think that competition should be left to regulate.

Mr. AYRES. Regulate open competition?

Mr. BULL. Yes; absolutely.

Mr. AYRES. In our State, as you know, if a man or a corporation wants to build a new railway line to compete with an older railway line, he has to submit to our public-service commission the question as to whether he is to be allowed to establish such a line and serve the public. Do you think that any governmental regulation over steamship lines should go that far? You were speaking a moment ago, you know, of establishing new lines. Do you think if a Government commission were established it ought to be able to say, "Here, you can not put in operation a new steamship line here; our present service is satisfactory and the rates are reasonable"?

Mr. BULL. No; I do not think they should be able to say that. It is a very different thing when you build a railroad. In that case you are going in and condemning property. You are going to take the public's property away from it and put in tracks that are going to be permanent. After you have the railroad there it is there, but on the ocean you have no tracks and you can go as far as you like. That would regulate itself, because nobody would want to go into a place that was overcrowded already, because, supposing they all had the same rates, if there were too many of them in the business they would all go with part cargoes. Somebody would have to drop out eventually, so I think it would regulate itself, so far as the number that wanted to go into any particular trade.

The CHAIRMAN. It is far more difficult to charter ships for the Porto Rican trade than it would be, say, for the trade to Cuba, because the number available is much less?

Mr. BULL. Yes; you have English, German, Norwegian, any ships to draw on in going to Cuba, where we draw on American ships only to Porto Rico. But conditions in that way are improving every year. Mr. J. M. Elwell, managing owner of three boats on the Lakes, which came out this year, told me they would be pleased to charter to Porto Rico, if we needed any extra tonnage.

Mr. HARDY. Do you say they are lake vessels?

Mr. BULL. Yes, sir.

Mr. HARDY. What is the difference in the requirements of a vessel from New York across the ocean and one going to Porto Rico? Do you require the same character of vessels or different vessels?

Mr. BULL. Well, really, theoretically our belief is there should be no difference. Our belief is, and we have built our boats on that idea, that a boat going from New York to Porto Rico has to stand just as hard drubbing in the heavy sea, or in a hurricane, as you will get in going across the North Atlantic in wintertime. The American Bureau Record makes two classifications; they make one classification coastwise and West Indies and another one 100-A-1. Personally I can not see why they make that difference, but they do, and the Atlantic Insurance Co. will insure boats classed for coastwise and West Indies, as long as they will keep in that trade, where they would not insure them if they went abroad.

Mr. HARDY. Does it not require just as stanch a vessel?

Mr. BULL. Yes, sir; I think so.

Mr. HARDY. Does it not require a vessel a little more stanch to navigate the Gulf than it does the Atlantic?

Mr. BULL. Not along the North Atlantic in wintertime. Along the North Atlantic in wintertime we have very heavy seas. How-

ever, they are no heavier than a Gulf hurricane is in August or September.

Mr. HARDY. In an effort to regulate charges, what do you think of a law that would authorize a shipper at any time to sue and recover back any excess charges, if he were charged above a right and reasonable rate?

Mr. BULL. I would rather have a commission to pass on the rates, because you never would know when you were going to get your freight money. Supposing every fellow who came along would say, "Here, I am paying too much for this. I will take a chance and sue it; at any rate, I can hold it up so I will not have to pay it right away." What would a shipowner do about paying his crew off? I think he would be up against it.

Mr. HARDY. There would be no trouble if the shipper was required to pay and then was allowed to sue for the recovery of his money back, if he paid whatever he contracted to pay.

Mr. BULL. There are different circumstances about that; whether a man pays a big rate or pays a small rate. You take a contractor. He contracts with the Government to build a jetty, for example. He does not get busy right away; he goes along and does not get his material and may have a lot of riprap stone that he wants to ship; he may be dickering on the stone to get a fair price. He has to start that work or finish it within a specified time or be under penalty if he does not. When he goes to charter a boat, he may find the market is pretty well taken up with the particular class of boats he is going to use. Now, it is worth a good deal more to him to get that cargo of stone down, and he can afford to pay a good deal better price than a man who simply wants a cargo of crushed stone to make a street floor or something of that kind.

Mr. HARDY. I was getting your idea. What do you think about this other idea of requiring shippers to take the cargo in the order in which it was tendered, so they could not strand a man if they did not want to give him service?

Mr. BULL. There would always be the question whether a man wanted to send his boats to a particular port. I think, as far as package freight is concerned in a line, that should be taken in the order it is tendered, and I think in most cases it is.

Mr. HARDY. I am satisfied that in most cases the carrier could do whatever he thought proper by shoving him off to the last and exposing him to new conditions.

Mr. BULL. I think where there have been combinations and where there have been conferences, some fellow that has gone outside, probably—I do not know, but we hear complaints that some fellow has been disciplined simply by saying, "My ship is full," etc. I know when we first started to Porto Rico different merchants said, "Well, now, are you going to stick? Because we do not want to get in a position, if you drop out, that these fellows will tell us, 'we are full now.'"

Mr. HARDY. That is what I am asking about. Should there be any law prohibiting such "discipline," as you call it?

Mr. BULL. Yes; I think there should. I think that should be one of the things that your commission should have charge of, just exactly as they do on the railroads. A railroad has to place cars in direct order as the orders for the cars come in. Now, let him take

his freight on all line business as it comes in. Of course, where he has a contract for so many tons a month or a week, that would be a prior order.

The CHAIRMAN. Is there anything further?

Mr. PORTER. What method would they adopt to "discipline" a shipper?

Mr. BULL. To discipline a shipper?

Mr. PORTER. Yes. I would like your idea of the meaning of that word or the effect of it.

Mr. BULL. Oh, why, for example, suppose a shipper had been using sailing vessels instead of using a regular line steamer to Porto Rico, and the lines running are going to sail next Saturday, and had a great deal of freight offered them to fill the space. A man comes in and says, "I have some stuff which I am very anxious to get off on next Saturday's boat." They would say, "We are very sorry. We have not room." It is pretty hard to prove that sort of thing.

Mr. PORTER. Would they say that when they did have room?

Mr. BULL. They might know in their own minds of somebody else who was coming in to give them something else, and probably they would not have room at the time the steamer sailed; but I have heard it stated that this happens sometimes.

Mr. PORTER. That is to say, when the shipper did something which the shipowner did not like they would "discipline" him by refusing to take his freight?

Mr. BULL. Or delay his freight. I think that has been done. I do not know of any particular case of it.

Mr. PORTER. The effect of that would be ruin?

Mr. BULL. So they would keep that in mind the next time and would not go outside of the regular channels.

Mr. PORTER. The word "ruin" could be used instead of "discipline"?

Mr. BULL. Well, no; because it is not likely it would be carried as far as that. He would probably be "good" before it had gone to that extent.

The CHAIRMAN. If there is nothing further, Mr. Bull will be excused.

TESTIMONY OF JOSEPH DI GIORGIO, PRESIDENT ATLANTIC FRUIT CO., 11 BROADWAY, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your name and address and business connections.

Mr. DI GIORGIO. My name is Joseph Di Giorgio, and my residence is 171 West Seventy-first Street, New York City. I am president of the Atlantic Fruit Co., the address of which is 11 Broadway, New York.

The CHAIRMAN. What is the nature of that company's business?

Mr. DI GIORGIO. Importer of tropical fruits.

The CHAIRMAN. Are you owners of ships?

Mr. DI GIORGIO. No, sir.

The CHAIRMAN. Do you charter ships in your trade?

Mr. DI GIORGIO. Yes; in the trade between ports of the United States and the West Indies, Central and South America.

The CHAIRMAN. When was your company organized?

Mr. DI GIORGIO. The present company was organized the 1st of this year.

The CHAIRMAN. The 1st of this year?

Mr. DI GIORGIO. Yes. It took over the Atlantic Fruit & Steamship Co.

The CHAIRMAN. What is the capitalization of your present company?

Mr. DI GIORGIO. Five million dollars common stock; two and one-half millions dollars preferred stock, and one million and a half dollars debentures.

The CHAIRMAN. Was the company organized under the laws of Delaware?

Mr. DI GIORGIO. Under the laws of Delaware.

The CHAIRMAN. You are the president of the present company?

Mr. DI GIORGIO. Yes, sir.

The CHAIRMAN. Give the names of the other officers.

Mr. DI GIORGIO. R. G. Muirhead, vice president; Lindsay P. Downer, treasurer; James A. Fechtig, jr., secretary and solicitor.

The CHAIRMAN. And who are the directors?

Mr. DI GIORGIO. Mr. R. G. Muirhead—

The CHAIRMAN. Can you give his address?

Mr. DI GIORGIO. At the present time he lives at the Hotel Ritz Carlton, and his business address is in Montreal. The other directors are Mr. Lehman; Henry H. Wehrlane, of Hallgarten & Co., 5 Nassau Street; S. H. Voorhees, agent of the Royal Bank of Canada, 68 William Street, New York; Sir John Pringle, of Jamaica, West Indies; George Burton Hunter, of Newcastle-on-Tyne, England; G. W. Farrell; Robert Penington, of Wilmington, Del.; I. H. Lehman, 111 Broadway, New York; and Mr. Fechtig and myself. Franklin H. Mills, of 111 Broadway, New York, is also a director.

The CHAIRMAN. I believe you say the present company is the successor of the Atlantic Fruit & Steamship Co.?

Mr. DI GIORGIO. Atlantic Fruit & Steamship Co.

The CHAIRMAN. When was the Atlantic Fruit & Steamship Co. organized?

Mr. DI GIORGIO. In July of the year 1911.

The CHAIRMAN. What company was its predecessor?

Mr. DI GIORGIO. The Atlantic Fruit Co. and several other banana-growing companies.

The CHAIRMAN. State whether or not the Atlantic Fruit Co., for a number of years, until 1910, was controlled by the United Fruit Co.?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. When did that control begin?

Mr. DI GIORGIO. Well, it began in April, 1905.

The CHAIRMAN. In what way did they get control?

Mr. DI GIORGIO. In January, 1905, when the Atlantic Fruit Co. started, it was an amalgamation of four or five different companies importing fruit.

The CHAIRMAN. Can you give the names of them?

Mr. DI GIORGIO. Yes; the Di Giorgio Importing & Steamship Co.—that was my company; the Italian-American Fruit & Importing Co.; the Di Giorgio Importing & Steamship Co., of Baltimore; the Cuneo Trading Co., of New York, and the Fruit Importing Co., of

Philadelphia. That practically was all of the companies outside of the Gulf which were importing fruit, which amalgamated into the Atlantic Fruit Co.

The CHAIRMAN. At the time the Atlantic Fruit Co. was organized it took over practically all of the importers of fruit?

Mr. DI GIORGIO. It practically had to. We practically were in such a bad position that we had to.

The CHAIRMAN. I understand. You got together and organized as the Atlantic Fruit Co.?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. And at that time the United Fruit Co. was in the field?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. And an active competitor of the weaker companies?

Mr. DI GIORGIO. Very much so.

The CHAIRMAN. And you were compelled to go under cover?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. That is a fact, is it not?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. But in organizing the Atlantic Fruit Co. the United Fruit Co. got 51 per cent of the capital stock?

Mr. DI GIORGIO. Not then.

The CHAIRMAN. Not then?

Mr. DI GIORGIO. No, sir; that is what I was trying to say. We did business for about four or five months, and the loss was enormous. All the companies were practically bankrupt.

In May, I think it was the 8th day of May, it was purchased by the United Fruit Co. I know to-day after the thing happened that the United Fruit Co. did have the control. At the time of my transaction it was not with the United Fruit Co. While I met some of the United Fruit Co.'s officers, the 51 per cent was not sold to the United Fruit Co. direct. As matter of fact, they never did transfer it in our books; our books never did show that they were the stockholders. A gentleman from Cuba, Marquis de Maury, who lived in Paris, and who was at that time and is now a large banana grower in Cuba, had been to New York. We owed him a good deal of money on the fruit which he used to ship to us, and the transaction was made through him, to sell this 51 per cent, and we sold it to him.

The CHAIRMAN. You did not know you were selling to your competitors at that time?

Mr. DI GIORGIO. I could not swear to that.

The CHAIRMAN. You did not know it?

Mr. DI GIORGIO. No; because we first sold to Marquis de Maury; my first transaction was with him.

The CHAIRMAN. But it turned out to be the property of the United Fruit Co.?

Mr. DI GIORGIO. Yes; because Marquis de Maury afterwards transferred the stock over to Bennett Walsh & Co., which is a steamship brokerage company at 18 Broadway, New York, and through them I used to meet some of the United Fruit Co.'s officers.

The CHAIRMAN. You then understood that they controlled the company?

Mr. DI GIORGIO. I could not say. I have my own opinion about it!

The CHAIRMAN. How long did they continue the owner of the 51 per cent of the Atlantic Fruit Co.'s stock?

Mr. DI GIORGIO. Until, if I am not mistaken, the 18th day of April or March, 1910. March or April.

The CHAIRMAN. Please explain to the committee under what circumstances and how they came to part with their 51 per cent interest in the Atlantic Fruit Co.?

Mr. DI GIORGIO. I will have to tell all the story!

The CHAIRMAN. Yes; we want all the facts.

Mr. DI GIORGIO. A few months after this stock was transferred to Bennett Walsh & Co., of New York, some new rule was brought up of how our Atlantic Fruit Co. was to be run, and how its steamers were to be run, etc. Well, I did some things which they told me to do, and some things I refused to do. There was a little argument, and some meeting. I did not like the situation. One of my brothers just about this time started an independent importing company.

The CHAIRMAN. One of your brothers?

Mr. DI GIORGIO. Yes; my younger brother. One day Mr. Preston asked me to come to Boston. He asked me what this new company meant. I said, "What is it doing?" He said, "Bringing fruit to the United States." I understood from him there was peace all around. I said, "I do not like to have some of you people tell me what to do. You people, controlling the company, tell me to consult with you. I do not want any trouble, but I am going to try and see to it that the Di Giorgio family will try to protect themselves for the future in their business."

The CHAIRMAN. You spoke of several things which they wanted you to do. What were you not willing to do?

Mr. DI GIORGIO. Several things; for instance, to let them run the ships. What they particularly wished to get at was the price. They started to talk about prices and what we should sell for. This I never did do; I refused absolutely.

The CHAIRMAN. They wanted you to let them dictate the price at which you would sell the fruit?

Mr. DI GIORGIO. They never said "dictate"; they never really came down and said, "Now, this is the price I want you to get for your fruit."

The CHAIRMAN. But they wanted to control the ports to which you might bring the fruit to be sold?

Mr. DI GIORGIO. Yes; that is it. They wrote me and telegraphed me. They wanted to curtail the business in regard to ports. They talked to me once and I said no. I told them the stockholders of the Atlantic Fruit Co. had helped me when I did not have any money. I told them that they gave me money to protect ourselves, and I said I would not be a party to an understanding of any kind or have any talk about their controlling my freight. I said, "You or no other person can get me to do it; I will get out first." That was my line of talk; so since then there has never been any question about ports. After that matters worked pretty well with the general manager of the Atlantic Fruit Co. for two or three years, until this gentleman who had charge of the business died. I met his successor and he began in the usual way, and I told him there was no use, because they had tried before to regulate the ports; so he said, "All right."

In January or February, 1910, I was in Jamaica, British West Indies, and at that time Mr. Newsome, who was general manager of the West Indian department of the United Fruit Co., was also in Jamaica. One evening a meeting was held, attended by the different companies who were buying fruit in Jamaica. A lot of things happened at that meeting and the manager of the United Fruit Co. addressed me and said, "Mr. Di Giorgio, you will not run more than one steamer on the south side of Jamaica and one steamer on the north side?" I said, "I am not prepared to discuss that with you at this moment." He insisted again. He said, "We will not have to regulate any ports. How many ships are you going to run to Jamaica?" I said, "I am not prepared to discuss this with you now." Then he made some remark about one of my managers in Jamaica, and I told him it was not right for him to insult a gentleman who was not present, and I thought I had better leave the room, and I left the room.

The CHAIRMAN. What was said about one of your managers?

Mr. DI GIORGIO. One gentleman made a remark about one of my managers which I did not like, and I left the room. The man whom he insulted was sick in bed, and I told him that a gentleman should not talk like that.

Mr. AYRES. Was your company being operated at a profit all that time.

Mr. DI GIORGIO. Yes.

Mr. AYRES. You were making money during that time?

Mr. DI GIORGIO. Except in 1907. In 1907 we lost money, because the fruit was damaged, and we could not get any fruit at any place except Jamaica and Cuba—so we lost money. I think we lost money during two years. The first year we made big money. In 1905 and 1906 we made about \$400,000. It was after the United Fruit Co. bought the stock—between 1905 and 1910—that they made so much on bananas; that is where all the enormous profit was shown.

Mr. AYRES. How was it that before the United Fruit Co. bought the control of your stock you were losing money, and immediately afterwards you began making money?

The CHAIRMAN. I think we had better allow him to finish his story first.

Mr. DI GIORGIO. Yes; why we sold out.

The CHAIRMAN. Yes.

Mr. DI GIORGIO. When I came back I figured out that the manager of the United Fruit Co. was going to handle me or try to handle me, and I might as well get out. So I wrote a letter to Mr. Preston telling him that "while it is true I am under a 10-year's contract with the Atlantic Fruit Co., I must enlarge the business, and I must go to Central and South America, because in Jamaica and Cuba something happens nearly every year—such as cyclones, dry weather, etc. We desire to have a large fruit business and not be importers just for a few months of the year." I could not hold the trade longer, and I suggested to him I wanted to buy a company in Nicaragua. In that same letter I told him I offered two propositions: one was to increase the capital stock and buy the company in Central America, or I would sell out, or would buy him out, or get out. So I got a personal note from Mr. Preston to come to Boston, and I went there, and we talked about prices, and he said he would take the book value, according to the last statement—the 1909 statement. We finally

agreed, and I purchased the stock at the book value, paying \$123 a share.

The CHAIRMAN. That is the stock——

Mr. DI GIORGIO. Of the Atlantic Fruit Co. Well, it was in the name of Bennett, Walsh & Co., but it belonged to them. I knew a few months before that, because I happened to see the check for dividends indorsed to them, so then I knew.

The CHAIRMAN. And then, while the United Fruit Co. held 51 per cent of the stock of the Atlantic Fruit Co., was there an agreement between you that you could only trade from Jamaica and Cuba and could not acquire properties or buy fruit in Central or South America?

Mr. DI GIORGIO. There was no fast and bound agreement or understanding. At the time this transfer took place I told him that I wanted to get some Central American fruit, because if anything happened in Jamaica I was obliged to get my supply from Central and South America. They all refused to give it to me. It was not very easy to go to Central America and buy bananas when they controlled the situation.

The CHAIRMAN. They did control the situation in Central America and they would not sell you any fruit?

Mr. DI GIORGIO. No, sir.

The CHAIRMAN. And they would not cooperate with you in increasing your capital stock so you could buy a plantation there and control it yourself?

Mr. DI GIORGIO. No, sir. I asked them to sell the stock out. They did not want to sell it to me. I was the one that insisted that either one or the other sell out.

The CHAIRMAN. At that time the Atlantic Fruit and Steamship Co. was organized?

Mr. DI GIORGIO. No, sir. We continued until about October—about a year after that. Just about that time we were forced, or I thought it would be good policy, to take additional tonnage. Shall I give you the reasons?

The CHAIRMAN. Yes.

Mr. DI GIORGIO. Just at that time the United Fruit Co. and the Hamburg American Line got into trouble. The United Fruit Co. controlled all of the fruit space on the Hamburg American steamers running between the West Indies, Central and South America.

I think just about that time I was approached by one of the banks in New York, who asked if I wanted to enlarge my business. I told them I wanted to start a big plantation in Central America and it would take millions to do that, but I did not want to make any bond issue unless I was absolutely sure I would get the money, because otherwise it would mean the finish of our company. I was going to California, and I was telephoned in Chicago that the Hamburg-American Line representative wanted to see me. I told him I had a meeting in California, but I would be back as soon as I could. And I did come back inside of 10 days. Mr. Sickel, the present manager of the Hamburg-American Line in New York, met me, and he asked if we could use his space. I told Mr. Sickel we could use it, but at that time we had no fruit in Central and South America. I said, "We are just making an arrangement to take over the Central

American Growers & Transportation Co. I think I am going to succeed, and I want a little time." At the same time I said to Mr. Sickel, "Is this going to be a question for me to just talk to you so you can make a deal with the United Fruit Co.?" He said, "No; we are out with them. They tell us that we can not put on any big passenger steamer in this trade; that if we put on any larger size of passenger boats they will not contract with us." I asked him, "Do I understand that you will go and carry bananas anyway if I do not make a contract with you?" He said, "Oh, we will have to. We are going to give you a chance, but if you do not contract with us we will have to do the best we can with somebody else." So I felt that if the Hamburg-American was going to go into that business it would be two big companies fighting between themselves and I would have a very poor chance. I told Mr. Sickel, "This is going to be a fight between the United Fruit Co. and ourselves. We have no money." Mr. Sickel said, "I think we will be able to help you out." I said, "I have a deal on hand now. I have an option of 30 days to get \$5,000,000 if I get this thing together." Finally I told Mr. Sickel I would not talk to him any more unless he gave me a letter saying he would not deal with the United Fruit Co. while he was dealing with me. I did not want the United Fruit Co. to make them an offer, which, by the way, they did afterwards, trying to break my contract and leave me in the cold with my stockholders.

The CHAIRMAN. That is, after you had entered into this agreement with the Hamburg-American Line they tried to break that contract?

Mr. Dr. GIORGIO. Last September—I think it was the 21st day of September—Mr. Ballin, head of the Hamburg-American Line, was in London, and his people asked me if I would accept \$150,000 cash to cancel that contract. Mr. Sickel was present. I told him, "No; I could not do so. We owe nearly \$100,000 to the people now. We are practically bankrupt to-day. It would mean I would not be able to refinance the company, which I am trying very hard to do. So I could not do it." Later on the attorney of the Hamburg-American made a remark, saying, "If the company is bankrupt and can not pay the hire, the contract will be broken." I told him I took care of that; I had transferred that contract to another company that had the option, so that if this company should go bankrupt the contract between the Hamburg-American Line and our company would still be good, because I was ready to transfer it to somebody else. And I have done so, to the benefit of my stockholders.

Anyway the result was they got angry. Mr. Ballin, I understood, was angry because I did not accept his offer. That meeting of the United Fruit Co. people was in London. Mr. Thomann, who is the head man in the traffic department of the Hamburg-American Line, and Mr. Sickel, in New York, were all on our side. The brother of Mr. Warburg, of New York, who is the financial agent of the Hamburg-American Line in Germany—Mr. Max Warburg—was present at all the meetings of the United Fruit Co., and he informed me that he was really the man that wanted this thing to be canceled.

The CHAIRMAN. They were urging the cancellation of your contract with the Hamburg-American Line while Mr. Sickel was wanting to treat you fairly?

Mr. DI GIORGIO. Absolutely; he is one of the fairest men I have ever met in my life. He argued with his people in my behalf. I told Mr. Sickel at the time I made the contract, "I am going to get into trouble if I associate myself with you, if you go down there now and force me to cancel this contract." I could give you the reason why I transferred that contract if you wish.

The CHAIRMAN. Yes.

Mr. DI GIORGIO. We were to make a bond issue to the bank in New York for \$10,000,000. I sold, first, \$2,100,000. I purchased some property in Cuba, and that is the money I got out of the property. My original plan of \$5,000,000 amounted to only that much. Just at that time I secured a lot of options, and one in particular from Lindo Bros., of Costa Rica. That option I got for \$2,500,000, part in stock of the company and part in cash. Then this new bank came in, and they wanted to issue this \$10,000,000 debenture, and asked if I would turn over this option. I thought I could get some Santa Marta property, and I told them, "Yes; we can deliver the Atlantic Fruit & Steamship assets, and I have an option in Santa Marta." This thing hung on for a year, day after day. The bank never told me yes or no. So one day I said to the banker, "Why don't you say yes or no?" "Well," he said, "we are ready." I said, "The option of Lindo Bros. is legal; the attorney says it is legal." "Well," he said, "you buy the thing." I said, "If I have \$2,500,000 to buy Lindo & Co., and if I have \$1,000,000 to buy in Santa Marta, I don't need your money. You do not have to buy if you don't want to take it."

While all this was going on Lindo Bros. sold to the United Fruit Co. while my option was standing, and it was published in the newspapers. The United Fruit Co. agents in London, I understand, closed the deal, and the Canadian company was started, and they paid \$1,500,000 more in cash than my option was for, to break the deal, taking into consideration the value of my stock. Then the bankers said, "Well, you were not able to deliver what we wanted, and so the deal is off." I was put to a lot of legal expense, and I went to the other place in Santa Marta, and it practically put the company in the position where it was forced to reorganize and cut the stock down, and everybody suffered.

The CHAIRMAN. That was all through the manipulation of the United Fruit Co.?

Mr. DI GIORGIO. Yes; I will come back to that. I forgot the main point. Just at that time I was advised by Mr. Sickel that there was a meeting held between the two directors of the United Fruit Co. and Mr. Warburg, of Kuhn, Loeb & Co., and after two or three meetings the result was that I was asked the same question—whether I would sell out the contract for the Atlas Line. Of course, the United Fruit Co. said they wanted to buy the line, and then the thing was dropped, because they thought the company would become bankrupt. So I turned over this charter to our selling company, called the Atlantic Fruit Distributors, in which we own 50 per cent of the stock. The lawyer of the Hamburg-American Line gave himself away about what they were after. So that was the reason why I transferred those contracts to another company.

The CHAIRMAN. Is the Hamburg-American Line still back of the Atlantic Fruit Co. as reorganized at the beginning of this year?

Mr. DI GIORGIO. No; the Hamburg-American Line is not back of it and really has never been. At the time of the first bond issue of \$2,100,000, they bought \$200,000 bonds. In this new reorganization of the company we changed the bonds for preferred stock, and the Hamburg-American Line were really the people who practically blocked the deal. They refused to change the bonds for preferred stock, and four individuals were forced to carry this deal through to save the company, to give them this new debenture, and this money was advanced, \$200,000, by four people, and I am one of the four.

They could not make the Hamburg-American Line take the preferred stock, at 95 per cent, so practically it was not the question of backing that was against us. The financial people, not the traffic people—the people we come in contact with.

The CHAIRMAN. The financial managers of the Hamburg-American have been against you. Although 95 per cent of the owners had agreed to make the transfer, the Hamburg-American refused to do so?

Mr. DI GIORGIO. Yes, sir.

The CHAIRMAN. So they do not control this company of yours now, do they?

Mr. DI GIORGIO. No, sir.

The CHAIRMAN. Are they in cooperation with the United Fruit Co. against you?

Mr. DI GIORGIO. I would not say so; no, not here.

The CHAIRMAN. What is their relation to your company in the fruit business?

Mr. DI GIORGIO. What the Hamburg-American Line, I think, and the United Fruit Co. did, and they did succeed, was this: In this reorganization of the company we did have a contract for Europe with the Hamburg-American Line, in connection with another company controlled by the Hamburg-American Line of Hamburg, to bring fruit to Europe.

The CHAIRMAN. What company was that?

Mr. DI GIORGIO. That is the Hamburg-Columbien Banana Co., of Germany. This contract was made in 1911, and last year we started bringing bananas to Europe, and this changing of the bonds of the Hamburg-American Line for preferred stock they not only did not want but they insisted that the contract for Europe be canceled so they could make arrangements with somebody else. There was a question of saving one company, so we were forced to get out of it—out of the European trade, which they absolutely controlled. I could not help myself. As I understand, the Hamburg-American Line could not do exactly what the United Fruit Co. wanted them to do, and I do not think they are very good friends to-day, because really what the United Fruit Co. wanted was that they take the Atlas Line, running to the United States, away from us, and there was \$150,000 offered to me. I do not know who it was to be paid by; naturally it was offered to me by the Hamburg-American Line. That is all I know, but that is as far as I can tell you of the relation between the two companies. I do not know the inside of the thing. Of course, I surmise a lot of things. We have a freight contract to-day; the new company has the freight contract in the United States.

The CHAIRMAN. Do you mean the contract with Atlas service?

Mr. DI GIORGIO. We have that; yes.

The CHAIRMAN. That is one of the assets of your company, is it?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. And that contract the United Fruit Co. tried to have broken and the financial representatives of the Hamburg-American in London offered you \$150,000 to cancel it?

Mr. DI GIORGIO. I had cheek enough to refuse, and I did not have money enough to come back home on.

Mr. STEPHENS. I do not understand what became of that contract.

Mr. DI GIORGIO. The new company has it now. As soon as the new company was formed and all this \$1,500,000 came in we paid everybody. Then I took the contract, which I turned over to the board of directors; so I had full control. When this new company was formed, the 1st of this January, I turned over the contract to the new company, so the new company is now in possession of the assets.

Mr. STEPHENS. What are the general provisions of that contract?

Mr. DI GIORGIO. The contract is for five years. You see, they have refrigerator space on a few of those boats, and we have not. We had to have refrigerator space, because it would cost a million dollars to build refrigerator boats, and we have not the money. It is very good for us, because we can bring good fruit from South America.

Mr. STEPHENS. Is that contract with you to bring all you care to ship, or is there a certain limit?

Mr. DI GIORGIO. All of the boats are contracted to us. We pay a minimum on each ship, depending on its size; we pay from \$2,100 to \$4,200, a minimum for each ship. If we carry more, we pay so much a bunch.

Mr. STEPHENS. By that contract were you permitted to ship to various United States ports or limited to one port?

Mr. DI GIORGIO. Only to New York. That is the way that line runs.

The CHAIRMAN. What representative of the United States Fruit Co. was at that conference in London?

Mr. DI GIORGIO. Mr. Preston.

The CHAIRMAN. Himself?

Mr. DI GIORGIO. Himself and Mr. Keith. Mr. Keith is the vice president and the agent in London. I know that, because I saw them when they left the room. I was at the Ritz Hotel, and I faced them, the three of them coming down from Mr. Ballin's room; I saw them; I faced the three of them.

The CHAIRMAN. Mr. Ballin is—

Mr. DI GIORGIO (interposing). Mr. Ballin is the head of the Hamburg-American Line.

The CHAIRMAN. So that Mr. Preston, the president, and Mr. Keith, the vice president, of the United Fruit Co., were there in London in conference with Mr. Ballin and making an effort to have this contract between your company and the Hamburg-American Line broken, and offered you \$150,000 as an inducement to cancel that contract?

Mr. DI GIORGIO. Mr. Chairman, I did not want to tell you all this, but I guess I am forced to tell you. You see, the question will go to the banker, and the first thing we know it will come out in the papers; we will get in a fight, and the banks will cut our credit, and there you are.

The CHAIRMAN. What per cent of the fruit business into the United States is controlled by the United Fruit Co.?

Mr. DI GIORGIO. Last year, I think, it was about 63 or 64 per cent, if I am right. They say that in their own statement.

Mr. HARDY. I think Mr. Preston said he controlled 60 per cent of the imports into the United States from Central America.

Mr. DI GIORGIO. If he said that, I guess he knows, but I think in one of their own statements they say they have 60 per cent, if I am not mistaken, a little over 60 per cent of the fruit.

The CHAIRMAN. What other active competitor have they in the trade than your company?

Mr. DI GIORGIO. I do not like to say if there is any other competitor in the United States except myself, but if you ask me my opinion—but I have no proof, and I can not say.

The CHAIRMAN. What other importers are there in New York?

Mr. DI GIORGIO. In New York is the Cuneo Importing Co.

The CHAIRMAN. Do you know what their relations are with the United Fruit Co.?

Mr. DI GIORGIO. They are supposed to be independent.

The CHAIRMAN. But do you know what their relations are?

Mr. DI GIORGIO. No; not of my own knowledge. The only thing I know was that last year—last summer, I think it was—all at once the Cuneo Importing Co. came in having a lot of money to continue the business. They must have obtained it somewhere.

The CHAIRMAN. Do you mean they were bankrupt?

Mr. DI GIORGIO. Yes; they were in bad condition. I will not say they were bankrupt; they owed a lot of money. So long as the banks will give you credit, you can do business, but I know, of course—he told me himself—that he owed a lot of money to the bank. Of course, I did want to make some arrangement with him, and he told me himself, and all at once I heard of a lot of the stock in the market that was purchased by the Cuneo interests.

Mr. HARDY. By what interests?

Mr. DI GIORGIO. By the Cuneo interests. Two days after I talked with him one of the buyers of the stock in his company came in and saw me and asked if I knew who was buying the stock of Cuneo. He said, "It is very strange they are buying the stock when we are losing all this money." Some rumor was around. I think one of the Jamaica papers had an article last summer to the effect that the company was controlled by some of the United Fruit Co. individuals; but then they deny it, as far as we know. The same newspaper came out in an article and denied it.

The CHAIRMAN. In your efforts from time to time to finance your company, you found the banking situation was controlled in some way. Did you know just who were behind it and who were check-mating you in your efforts?

Mr. DI GIORGIO. Yes; I could make a very good guess.

The CHAIRMAN. Who were doing it?

Mr. DI GIORGIO. The United Fruit Co.

The CHAIRMAN. So that their influence was sufficient to prevent you from getting the financial assistance that ordinarily you commanded?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. To operate with, from Kuhn, Loeb & Co. and any other—

Mr. DI GIORGIO (interposing). I never did any business with Kuhn, Loeb & Co. Kuhn, Loeb & Co. came into this deal through the Hamburg-American Line, at the time I told you the Hamburg-American Line had on its hands what looked like a fight. Mr. Sickel, of the Hamburg-American Line, took me to the office of Kuhn, Loeb & Co. and introduced me to Mr. Warburg.

The CHAIRMAN. As I understand you, Mr. Sickel, throughout the entire transaction, was without criticism, as far as you were concerned.

Mr. DI GIORGIO. Yes, sir.

Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the committee assembled.

The CHAIRMAN. What trades are you in? Between what ports in the United States and what foreign ports?

Mr. DI GIORGIO. We run to New York, Philadelphia, Baltimore, and sometimes we go to Boston with a very few cargoes in the summer time; Cuba, Jamaica, Santa Marta, to which we run now, but we carry that on the Hamburg-American Line boats; and from New Orleans we run to Mexico, Honduras, Nicaragua and, once in a while, we bring some cargo from those places, Nicaragua or Honduras or Mexico, when we are short of fruit; when we are short of fruit from the West Indies we bring some Central American fruit to the eastern ports.

The CHAIRMAN. You charter your ships?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. Do you carry general cargoes as well as fruit?

Mr. DI GIORGIO. No; no cargo. We carry a little bit of freight, only for two houses in Jamaica, with whom we have a special arrangement.

The CHAIRMAN. Do you carry any general cargo from the United States to those countries named?

Mr. DI GIORGIO. Only to Jamaica, but only with these two houses for whom we have been carrying for a long time.

The CHAIRMAN. What other company is engaged in the trade from the ports in the United States you have named to the ports in Cuba and Central America?

Mr. DI GIORGIO. You mean in the fruit business or in the freight business?

The CHAIRMAN. In the fruit business.

Mr. DI GIORGIO. In the fruit business are the United Fruit Co., the Atlantic Fruit Co., the Cuneo Importing Co., which is the name of that firm now, from New York and Philadelphia; and Lanassa & Goffe from Baltimore to Jamaica. On the Gulf are the Vaccaro Bros. from New Orleans to Honduras; the Bluefields Fruit & Steamship Co. between New Orleans and Nicaragua, and I think, the Hubbard-Zemurray people between the two ports of Mobile and New Orleans and Honduras. There is another company down there, the Orr-Laubenheimer Co., who only run one steamer every 15 days, with very small cargo.

The CHAIRMAN. What are the relations between the Hubbard-Zemurray Steamship Co. and the United Fruit Co.?

Mr. DI GIORGIO. Well, I do not know what the relations are now. There has been a lot of rumor about it, but up to a few months ago the Fruit Dispatch Co. was selling a lot of the fruit in the United States and Canada for that company.

The CHAIRMAN. And the Fruit Dispatch Co. is the selling company of the United Fruit Co.?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. That would suggest quite an intimate relationship?

Mr. DI GIORGIO. Yes; I think that was discontinued a few months ago, say, five or six or seven months ago, I do not remember. Up to that time the Fruit Dispatch Co. was selling the fruit in the Gulf ports for every company except Vaccaro Bros. and ourselves. We all can sell our own fruit. Even when the United Fruit Co. controlled our company we sold our own fruit.

The CHAIRMAN. Do you regard the Vaccaro Bros. in any way connected with the United Fruit Co.?

Mr. DI GIORGIO. Mr. Preston told me himself once that they were interested in Vaccaro Bros.

The CHAIRMAN. When was that?

Mr. DI GIORGIO. I could not tell you that. I was in Boston one day—I do not like to say.

The CHAIRMAN. Several years ago or recently?

Mr. DI GIORGIO. Oh, I guess it must have been between 1907 and 1909; I was talking one day with him and he told me so.

The CHAIRMAN. Do you know of any fact that would lead you to believe that they were interested in the Vaccaro Bros. now—that is, the United Fruit Co.?

Mr. DI GIORGIO. I would rather be excused, sir, from answering that. I do not want to say either way, if you will allow me.

The CHAIRMAN. If you do not feel warranted in expressing an opinion.

Mr. DI GIORGIO. I would rather not.

The CHAIRMAN. Well, do you know whether they have any financial interest in the Vaccaro Bros.?

Mr. DI GIORGIO. I actually do not know.

The CHAIRMAN. How about Orr, Laubenhimer & Co.?

Mr. DI GIORGIO. Well, at that time, as I say—up to 1910, or a little later, I do not think there was any question that the United controlled all those companies and used to sell all their fruit. I mean they did not make any bones about it; everybody knows about that.

The CHAIRMAN. Do they do so now?

Mr. DI GIORGIO. No; they say now that they are not interested.

The CHAIRMAN. Do you know, as a matter of fact, about that time there was some hint that they might possibly get in trouble and be prosecuted under the Sherman antitrust law?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. And that caused them nominally or in fact to sever their relations with these other companies.

Mr. DI GIORGIO. I think, as to those New Orleans and Mobile companies, the fact that they were not interested in the companies came

out after the suit with the Bluefields Steamship Co. That is what my recollection is.

The CHAIRMAN. You sent us tariffs, and yet I understand you to say that your company is not engaged in the general freight business!

Mr. DI GIORGIO. I think we only issued a tariff once from New York. We were to run a steamer from New York to Nicaragua and Honduras and the south, but then we discontinued that line. We only ran a few steamers, but we did carry freight from New Orleans to Bluefields, Nicaragua, but practically only for a commercial house which we at that time controlled.

The CHAIRMAN. Then you do not compete with the United Fruit Co. in the freight business in any way?

Mr. DI GIORGIO. No; except on the north side of Jamaica we have two houses. One is C. Johnston, who is our agent down there. I have been carrying their freights since the first day I started in business, about 15 years ago. I do not know whether you call that freight business or not.

The CHAIRMAN. Outside of that?

Mr. DI GIORGIO. We are not public carriers. We do not go after freight. Once in a while in the wintertime we have one steamer which we do not know what to do with, and we get a cargo in the regular line or regular tariff to carry freight—everything in the way of cargo, lumber or sugar.

The CHAIRMAN. Is the Atlantic Fruit Co. engaged in the freight-carrying business to any port in Mexico?

Mr. DI GIORGIO. Yes; we carry some freight there. We did carry freight from Galveston to Frontera, Mexico. We carried mostly freight for the North American Dredging Co., which company is constructing the channel in Frontera. We had a special arrangement with those people, but they have practically finished their work.

The CHAIRMAN. Have you freight agreements with any other carriers to Mexican ports?

Mr. DI GIORGIO. No; we have no agreements with anybody else down there or anybody who carries freight, except those people who built the big works. There is no other line going to Frontera.

The CHAIRMAN. Have you any understanding or agreement now with the United Fruit Co. in any of these trades, as to the division of territory or the countries you shall buy fruit in or anything of that sort? Are you absolutely independent of them?

Mr. DI GIORGIO. Absolutely.

The CHAIRMAN. You are as independent of them as possible in every respect?

Mr. DI GIORGIO. Worse than that.

The CHAIRMAN. Have you any agreement other than that you have mentioned with the Hamburg-American?

Mr. DI GIORGIO. No; except the contract we have—that they carry bananas.

The CHAIRMAN. You have no other contracts with them?

Mr. DI GIORGIO. No. We have practically no arrangement with anybody in the transportation. We are not connected with any pool. We have not the time; our own steamer runs so quickly, you see, that we do not bother. It makes the round trip in 15 days.

The CHAIRMAN. As I understood you this morning, you had, under assurance from the banking interests in New York that they would finance you, secured options on various banana properties in Jamacia and Central America?

Mr. DI GIORGIO. They were in Central America, most of them. Well, the arrangement was for all the estate of the Atlantic Fruit & Steamship Co. and the option on Lindo Bros. in Costa Rica, and several properties in South America, the Republic of Colombia.

The CHAIRMAN. They were the assets of the new company?

Mr. DI GIORGIO. Yes. It is the best fruit company in the United States, which nobody has ever been able to get. When this opportunity came up we went and got this option. It really was forced on me; I did not want it, but I know how it happened. When our deal was pretty nearly completed, the United Fruit Co. purchased this without considering us at all. They knew of our option and that we had it on paper.

Mr. HARDY. Your option contemplated that you would put up so much cash and so much in stock of the company?

Mr. DI GIORGIO. Yes.

Mr. HARDY. I understood you to say this morning that the United Fruit Co. paid them so much more than your option?

Mr. DI GIORGIO. Yes. I said that this morning. Taking into consideration the value of the stock at that time, I think they paid about a million and a half more than I was to pay.

Mr. HARDY. Do you know how many acres there were in addition to those in cultivation that you were to buy?

Mr. DI GIORGIO. Fourteen thousand acres, if my recollection is right. There was very little unplanted on this particular Lindo Bros.' property.

Mr. HARDY. Did they have the whole estate on which you were taking the option?

Mr. DI GIORGIO. This was all planted and bearing, and they were shipping fruit. I say now that Lindo Bros. used to ship 50 per cent of all the fruits from Costa Rica.

Mr. HARDY. What I desired to know particularly is whether there was additional property which you might subsequently have put into the plantation and made more than 14,000 acres?

Mr. DI GIORGIO. Yes; we could do that, but it takes time to do it.

Mr. HARDY. How many acres were there in the whole thing that you had an option on; how many acres altogether?

Mr. DI GIORGIO. I do not remember how many acres unplanted, but I do not think there were many unplanted.

Mr. HARDY. That was practically the whole thing, that 14,000 acres?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. Was that the only option you had? Did you have any other option?

Mr. DI GIORGIO. Yes; I did have an option in South America, in the Republic of Colombia.

The CHAIRMAN. What was that?

Mr. DI GIORGIO. There were about 18 properties?

The CHAIRMAN. Eighteen different properties?

Mr. DI GIORGIO. Eighteen different properties. With this French company it was about \$1,000,000. Those options were on the market, and the United Fruit Co. took those too, after my option expired. My option expired on Wednesday, I think it was on the 3d day of July, and on the 4th of July they were in Boston closing the deal, after they agreed, practically by verbal agreement, that I should form a separate company, and if I could pay one-third cash and the balance in two years they would give me the property. As a matter of fact, they did transfer the property to my individual name and took a draft 30 days after sight. That is something unusual. They practically gave me a \$900,000 property, or a \$1,000,000 property, without paying any cash. But before I could carry the deal through the United went to them and paid them cash for everything. If the United Fruit Co. would not have paid the cash I would still have been able to make the arrangements, because they did not want to sell out to them. They wanted to keep the market open to run to South America and to run to Santa Marta. After we started we shipped very little fruit. We loaded 5,000 bunches on one steamer, and our exportation is increasing. Although the United Fruit Co. has gotten everything, it can not stop us.

The CHAIRMAN. If you were out of the way, they would have the monopoly of the trade, practically assuming that they control directly or indirectly these other concerns that are said to be independent?

Mr. DI GIORGIO. If those reports are true, yes.

The CHAIRMAN. The particular feature, of course, to which the committee wished to direct your attention was whether or not you were engaged in the general freight business in competition with the United Fruit Co. We understood from the statement made here by the representatives of the United Fruit Co. that you were their competitor in the freight business. You are not a competitor in the general freight and passenger business?

Mr. DI GIORGIO. No.

The CHAIRMAN. And have not been?

Mr. DI GIORGIO. No.

The CHAIRMAN. So that, with the exception of the Hamburg-American Line, they have the monopoly of the freight business as well as the banana business?

Mr. DI GIORGIO. And the Royal Mail.

The CHAIRMAN. And the Royal Mail also?

Mr. DI GIORGIO. And the Royal Mail Steam Packet Co. from New York. They go to Jamaica now with freight.

The CHAIRMAN. Let us be clear about that. The Royal Mail, the Hamburg-American, the United Fruit all trade to the same points?

Mr. DI GIORGIO. To the same points. All three companies run to Jamaica, Colon, and Panama. All three companies go there. I think that to Cartagena and Colombia, all three companies go. To Costa Rica, the United and the Hamburg-American Line go. The Royal Mail does not touch there. In Cuba, the Hamburg-American—I am talking now about the south side of the island, near Cape Maisi. The Royal Mail goes to Nipe Bay, and the Hamburg-American Line goes to Santiago. So, in Cuba, the United Fruit does not go, except for their own trade. They have a lot of sugar there. They carry that, but I do not think they carry for anybody else in Cuba.

Mr. HARDY. How many stems of bananas do you carry a year to New York from the south?

Mr. DI GIORGIO. I have not the figures with me, but it is over a million stems.

Mr. HARDY. Over a million?

Mr. DI GIORGIO. Yes.

Mr. THAYER. Who carries all the other bananas from the South? The American Fruit claims to carry about 17,000,000.

Mr. DI GIORGIO. Vaccaro Bros. in the South, and the Bluefields Fruit & Steamship Co., Hubbard Zemurray, and Orr Laubenheimer. Those are the companies that run in the South. In the East, the Lanassa & Goffe Steamship Co., in Baltimore, Md.; the Cuneo Importing Co. runs to Philadelphia and New York; and the Atlantic Fruit Co. runs practically to all these places except Galveston. I understand Mr. Preston to say we run to Galveston. We ran there for about one year. We ran once a week to Galveston. Last year they ran two steamers a week, and we were forced to get out; we could not stay.

Mr. HARDY. Who put the two steamers in there?

Mr. DI GIORGIO. The United Fruit Co. They never were in there before, but they put two steamers a week in there, and we got out. They are only running to New Orleans and Galveston.

Mr. THAYER. You say you bring only about a million bunches?

Mr. DI GIORGIO. No.

Mr. THAYER. I am speaking about the whole trade.

Mr. DI GIORGIO. I think last year we brought about 7,000,000. This year I expect we will do a little more.

Mr. THAYER. Then there are 10,000,000 that the United Fruit Co. say they do not import which some other concerns do.

Mr. DI GIORGIO. The companies I have mentioned.

Mr. THAYER. You claim those are not really independent companies?

Mr. DI GIORGIO. Well, I could not say.

Mr. THAYER. I mean, their appearance to you. In your own mind, no matter what your proof is, do you think those are independent or dependent companies?

Mr. DI GIORGIO. Well, you would come to the same conclusion as I have. Up to a few months ago the United sold all the bananas to those companies in the South except Vaccaro Bros. I do not like to say.

Thereupon, at 2.35 o'clock p. m., the committee adjourned until Friday, January 3, 1913, at 10.30 o'clock a. m.

FRIDAY, JANUARY 31, 1913.

The committee met at 10.55 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Burke, Post, Faison, Humphrey, and Stephens.

The CHAIRMAN. I wish to place in the record a letter received from Mr. Herman Sielcken. We issued a subpoena for him to appear before the committee early in January, I believe on January 7. The subpoena was served just as he was departing for Europe, and we consented that he might appear after his return. He has now

that the supply of tonnage falls below the demand for it, the advance in rates naturally becomes most acute.

The CHAIRMAN. That does not seem to be logical. It may be true, but why is it? It would seem that the advance in rates would be in proportion to the increase in the demand for tonnage.

Mr. SICKEL. I know; but if a man who has commenced to ship in large quantities is fighting with his neighbors to get that tonnage, naturally the advance will be very acute.

Mr. WILSON. Has there, during that period, been any delay in the acceptance of tonnage offered? During the past two years, has there been any delay by shipping companies of any tonnage offered them for transportation?

Mr. SICKEL. I do not think I grasp what is in your mind.

Mr. WILSON. What is in my mind is this: If the relation of the rates of one period to another is based upon the amount of shipping offered, as compared with the amount of tonnage available to handle that shipping, then before the rates could be increased, abnormally increased, 100 or 200 per cent as a result of the increased tonnage offered, there must be some delay in the acceptance of the tonnage that is offered. What I wish to know is, if during the past two years shippers have had any delay when they offered their material for shipment, in having that material shipped?

Mr. SICKEL. No; I do not think there has been any question of delay in their acceptance. This advance of from 100 to 200 per cent, if such are the figures, has been very gradual over this period of two years. It did not start immediately to jump 100 or 200 per cent; it was a gradual advance, without minor fluctuations.

The CHAIRMAN. Does it not strike you that an increase of from 100 to 200 per cent within two years is rather a rapid increase in rates?

Mr. SICKEL. It is a business of very violent fluctuations, because it is all guided by the law of supply and demand. Our regular line rates are guided largely by the tramp rates. He is the man who makes the market for us.

The CHAIRMAN. Is this not true, that since your lines in most part are controlled and the rates fixed by conference, you have been enabled not simply to make rates uniform to shippers, but have been enabled largely to increase those rates; and do you not indirectly control the tramp situation as well?

Mr. SICKEL. So long as the volume of business moving does not equal the available supply of tonnage, the regular lines have more or less control over the situation; but the minute the volume of business reaches and begins to exceed the tonnage the tramp begins to regulate us. In times of depression the regular lines accept rates, as a rule, lower than the tramp, because they are running regularly between these ports, and they run full or half full, as the case may be. But the minute you get to the point where the volume of business exceeds the available tonnage of the regular lines the tramp comes in to regulate us. For instance, take grain moving to-day. The rate is in the neighborhood of $3/6$ per quarter of 480. If we were to ask 3 and 9, the tramp, who is willing to take it at 3 and 6, will take that business. The tramp is influenced entirely by conditions in other parts of the world; he will come to America if he can get a good freight, but he will go some place else if he can get a better freight, and the moment his rates go up, our rates go up also.

Mr. HARDY. This tramp question, Mr. Sickel, has been troublesome to me. As I understand it, you have the definition of a tramp, and you use it now as any vessel having an irregular line, whether it belongs to a big company or a little company, whether there is 1 of them under the same control or 20 of them under the same control?

Mr. SICKEL. That is correct.

Mr. HARDY. Now, as I gather it, the law of supply and demand would control if there was no understanding between the great transportation companies. But if you have your understanding down to such a point that in dull times you can tie up vessels at ports and let them go out of business, and in live-tonnage times you can put them back into business, the tramp only intervenes in prosperous times for the bulk trade, as I understand it. You still have your package freight which your connections enable you practically to dominate. Now, when the transportation companies cross the ocean, have they not, to reduce it down, to get the business in the position where they can tax it all the traffic will bear, and is not the law of supply and demand replaced by the law of taxing the traffic all it will bear?

Mr. SICKEL. The basis for the business of the regular lines is that if you take away from us the commodities which move in large volume, like grain and the products of the farm, we will not have sufficient cargo to fill the ships and the competition will be such that the rates on the goods of the manufacturer who ships only in modest quantities and who can not use the tramp will gradually drop.

Mr. HARDY. It will, provided you have not an understanding by which you drop off some of your tonnage and make the same amount of money out of a less amount of freight.

Mr. SICKEL. Now, suppose, for instance, if our ships were running only half full and we had the power, by conferences to hold those rates up to an abnormally high figure, we would surely get the competition of some other regular line that would be attracted by those higher rates, and we would have the competition of the tramp.

Mr. HARDY. That might be if you did not parcel out the situation and well understand how much freight had to move. Now, if you know that the market demands so much freight to be moved, can you not divide that among your companies at any rate you think proper, if it has to move? In other words, don't you get down to the situation where your rates are determined only by one proposition, that we won't kill the business; we will leave it so that the aggregate amount will be the most profitable figure to us considering our investment and expenditures? If you raise your rates too high you stop business. If you put them too low you lose money. And don't you find, if it is a matter of conference, that the conference determines in between those two places, where they will stop business or kill business or cripple business, and where they can make the most money by fixing as high rates as the business will endure?

Mr. SICKEL. Naturally we always try to get as much out of the business as we possibly can without the danger——

Mr. HARDY. Of killing business?

Mr. SICKEL. Of either killing business or encouraging competition.

Mr. HARDY. Or starting somebody else in the business?

Mr. SICKEL. Or starting somebody else in the business.

Mr. HARDY. Now, the danger of starting somebody else in the business arises largely from big institutions like the Harvester Co. or the Standard Oil or the Steel Trust, and you can not afford to go too high with them?

Mr. SICKEL. We can not afford to go to a figure with them where we get in competition with the tramp.

Mr. HARDY. Or where it would pay them to charter their own vessels or go into the business?

Mr. SICKEL. That is the same thought.

Mr. HARDY. That is the same thing. Now, after all, does it not result in this, that the shipping interests have the absolute power to fix rates up to the limit of what the traffic will bear? And does not that explain why it is that in 1911, when the trade of the world began to wake up and do a large business, the shipping business then increased, not gradually and little by little, but in two years has doubled its rates?

Mr. SICKEL. Now, Judge Hardy, you must remember that right at this moment the offerings in freight are far in excess of the supply of regular tonnage. The business of the United States is not suffering for the reason that the tramp has been attracted to American waters and is helping to lift the surplus. Now, in a condition like this we do not need agreements to any extent, because natural conditions force the rates up.

Mr. HARDY. But not to the extent of doubling the rates in two years, I should imagine. You have not doubled your tonnage. In other words, what I want to get at is, Is not this enormous increase the result of a well-understood condition by the shipping interests and these tramps that you speak of, when they are brought in, are brought in under the supervision and under the control of the regular lines?

Mr. SICKEL. No; you are wrong there.

Mr. HARDY. What per cent of them are not?

Mr. SICKEL. I could not tell you that per cent. Those tramps that are brought in by the regular lines are used by the regular lines to help lift their own surplus, but there are a great many tramps chartered by shippers without regard to the regular lines.

Mr. HARDY. Is there any great amount of that?

Mr. SICKEL. That has been largely true in the grain trade.

Mr. HARDY. Is not that true only with reference to the big shippers?

Mr. SICKEL. All shippers of grain are big shippers.

Mr. HARDY. However, even if the little man in any line is able to go out and engage a tramp and secure business for his vessels to prevent a loss, he may get an outward cargo that he is going to ship himself, but can he get a return cargo?

Mr. SICKEL. That has no bearing on it, because the tramp's rate figures this thing out on a basis of a voyage outward or a voyage return. Let me try to make that clear. The time charter rate outward is in the neighborhood now of about 9 shillings—

Mr. HUMPHREY. Give it in American money, so we can understand it.

Mr. SICKEL. Suppose it is \$2.50 a ton outward. The tramp owner asks that amount of money on an outward voyage, but if he will engage a ship, or any independent shipper will engage a ship for the round voyage, he will get a very large concession on that, so that there is very little advantage to the man shipping outward whether he takes it on the high basis or whether he takes it on the lower basis and bringing the ship back to America.

Mr. HUMPHREY. I do not understand it yet.

Mr. WILSON. Suppose it is \$2.50 per ton one way; what would it be for the round trip?

Mr. SICKEL. It would be a little more than half, on the same principle that you buy a round-trip ticket on a railroad and you get some concession.

Mr. THAYER. That is, about \$3.75 or \$3.80?

Mr. SICKEL. I can not figure it out with any degree of accuracy.

Mr. THAYER. You said a little more than half. You said \$2.50; then, it would be for the round trip about \$3.75 or something like that? We are not holding you down, you understand.

Mr. SICKEL. Twice \$2.50 is \$5; it would work out on the basis of about \$3.75 or \$4.

Mr. THAYER. That is what I say.

Mr. HUMPHREY. It is perfectly evident, though, that none but a large shipper can do that. The ordinary shipper can not charter a vessel to carry his products?

Mr. SICKEL. The shippers of coal, steel, agricultural implements, grain, and wood all use the tramp to a very large extent to the exclusion of the regular liners.

Mr. HUMPHREY. What do you mean by wood?

Mr. SICKEL. Timber shipped from the South—pine timber.

Mr. HUMPHREY. All those you have mentioned are commodities that are shipped in large quantities by great shippers?

Mr. SICKEL. Yes.

Mr. HUMPHREY. Now, on the high-class freight that would not be true, would it?

Mr. SICKEL. Of course, we handle a great deal of those commodities, and when we do not get them we take away the foundation of our business and the rates drop on everything.

Mr. THAYER. Supposing I am an exporter of wood, not an importer of anything, and I have so much on hand that I keep a regular line of tramp steamers going. Is it cheaper for me to just pay the outward rate and let the tramp steamer get its own return cargo here, or is it not possible I could pick up a cargo? I could, perhaps, do what you suggested this morning, hire for the round trip.

Mr. SICKEL. It is customary with the large shippers of the rough goods to engage the tramp steamer only for the voyage over. He wants to be through with the job after his goods are delivered.

Mr. THAYER. I understand that, but I am supposing a case where you have a continuous flow from this country to the other side and you are needing a tramp steamer to take it over all the time. You are not ready to send it all by one ship, but you have so much you have to have it three or four times, say. What is the cheapest way of doing that?

Mr. SICKEL. The fact that they engage a ship for the voyage over only and then release the ship is evidence that it is the cheap-

est way, because they are all clever and understand the business, and if they could work the thing out by taking the ship for the round trip and find it more economical, they would do so.

Mr. THAYER. That is, there is a continual flow of tramp steamers that you could get without pulling back those you sent over for one voyage.

Mr. SICKEL. Well, the supply of tramps is irregular. Sometimes they come out in large shoals and then the rates all drop. Then they are scarce and the rates are high.

Mr. HARDY. The rates do not drop on the tramp account for these package commodities, do they?

Mr. SICKEL. If the amount they ship is a carload—

Mr. HARDY. I mean all those first-class goods. The tramps do not affect that much?

Mr. SICKEL. Not from day to day, but if the tramp will come out continuously for a long period, so as to cause a general depression in the rates on heavy, rough goods, you will find ultimately that it will affect all of the rates without regard to what the commodity is.

Mr. HARDY. But, as I understand you, your regular lines, having frequent need of bulk cargo, in order to fill out their package and valuable stuff and by reason of their need for ballast, sometimes take grain free, and have gone out at times and bought grain to fill in the space. Under those circumstances the tramp, having no contracts for valuable freight and being a sort of wanderer, gets nothing, but when flush times come and a great deal of cargo is to be shipped, and your spare space won't take the grain and lumber and the ballast stuff, then the tramp comes on the scene?

Mr. SICKEL. Yes.

Mr. HARDY. If you adopt that policy of employing the tramp vessel for carrying these surplus freights, and especially if you have all the valuable freights already preempted, as a matter of fact have you not the whole thing in your hands anyhow?

Mr. SICKEL. It would be a very large job to preempt the tramp tonnage, because there is so much of it.

Mr. HARDY. I know it is a large job; but is it not a large establishment for that job? Have you not your combinations equal to the job?

Mr. SICKEL. I think that job would be too big for them. I never heard of any steamship lines trying to do that. It would be like trying to buy all the surplus wheat in the world.

Mr. HARDY. Do you consider the tramp now an important factor in the North Atlantic trade?

Mr. SICKEL. At this moment he is quite an important factor in the North Atlantic trade.

The CHAIRMAN. The real tramp—not the one in the employ of the regular lines.

Mr. SICKEL. Yes, sir; most assuredly; he is a very great factor right at the moment, and always is at the time of flush business, because in the times when we have not a great deal of business he does not bother us very much, for the reason there is nothing here in the way of high freights to attract him.

Mr. HARDY. As a matter of fact, if you went too high on your bulk freights, the Steel Trust and the Harvester Trust, the Standard Oil Co., and all those big institutions would simply go out and even build

themselves vessels; but as long as you stay within reason does the tramp situation cut much figure in the North Atlantic trade?

Mr. SICKEL. He regulates us because we can not put our rates higher than the tramp, otherwise the tramp will get it.

Mr. HARDY. Is it not that you dare not "jump over the moon," but you can go pretty high?

Mr. SICKEL. We go as high as we possibly can.

Mr. HARDY. And then you get to the point that you tax the traffic all it will bear; is that it?

Mr. SICKEL. Absolutely it is guided by the law of supply and demand. If the demand is great, our rates correspond to the demand.

Mr. HARDY. Mr. Sickel, as to the law of supply and demand, is that a really existing law while the law of combination is in strong force? In other words, I will give you an illustration. Mr. Fordney on the floor of the House on one occasion said, with reference to the lumber makers, that when they had supplied the American demand they shut down the mills and they never lowered the price to the American consumer. If they had a surplus they must dispose of, they sent it abroad and sold it abroad cheaper; but as far as the law of supply and demand was concerned they regulated the supply, and they sold their output at whatever they thought was justifiable, and when the country did not absorb their output at the prices they fixed, they stopped the supply. If you have your combination, are you not just like the lumber business, only determined by the capacity of the country who patronize you and only prevented from further rising by the fact that the business will not stand it? In other words, you would kill your business if you raised it too high. When your combination is complete, you dominate that thing instead of the law of supply and demand, do you not?

Mr. SICKEL. I do not agree with you, Judge Hardy.

Mr. HUMPHREY. I would like to ask you this question. If this law of supply and demand regulates the freight rates, why is it that in all your conference agreements you have a provision that is very drastic, prohibiting anyone in the combine from lowering rates?

Mr. SICKEL. From what?

Mr. HUMPHREY. Lowering rates—from reducing rates.

Mr. SICKEL. Well, I do not know that that is so, because often conditions do come up in the conferences whereby rates are reduced.

Mr. HUMPHREY. By agreement; but what I mean is, now, you take it in reference to your own line—you represent the Hamburg-American Line?

Mr. SICKEL. I do.

Mr. HUMPHREY. But in the very conference agreement that you signed is not there a provision that no one of the lines shall lower rates without agreement, and he has to give bond at the rate of \$5,000 for every thousand of tonnage, or something—I forget the exact proportion—and has to put that money up where it can be forfeited if he violates it. If it is true that the competition regulates freight rates, why do you make such drastic provisions against anyone in the combine lowering rates without agreement?

Mr. SICKEL. If they are in a conference, naturally such things that you mention—of which I am not familiar, but assume you know exactly what you are talking about——

Mr. HUMPHREY. It is all in writing.

Mr. SICKEL. It is to maintain faith.

Mr. HUMPHREY. Maintain faith?

Mr. SICKEL. Good faith among them.

Mr. HUMPHREY. If it is the law of supply and demand, why do you care how much they reduce the rates?

Mr. SICKEL. Yes; but if it is a question of supply and demand, we will work in unity on that.

Mr. WILSON. Would not that working in unity itself be an obstruction of the law of supply and demand?

Mr. SICKEL. No; because if we tried to put up the rates to an abnormal level we are bound to have competition, either of the tramps or by some other regular line that might be attracted to that trade because of the high increase we are naming; and I have given in my previous evidence that no large combination of lines is ever immune from the attack of some other large line.

Mr. HARDY. By the "law of supply and demand" you mean that the conference assembled considers the volume of freight and then determines what they ought to fix the rates at with regard to this whole volume of trade; in other words, the law of supply and demand is from the viewpoint of the conference?

Mr. HUMPHREY. Just as high as they can fix it and no one else come in?

Mr. SICKEL. Up to the limit of the danger point.

Mr. HARDY. That is, the point to prevent competition.

The CHAIRMAN. Right at that point, if the new line should be attracted to the trade by reason of your rates which had been raised to the danger point, so that if you would maintain them at that level they might with some assurance go into the trade; but if they knew full well that just as soon as they went into the trade then you would drop your rates, in view of putting them out of business, is it not true it is not attractive for that reason, which is just what would be done? In other words, it would be a bold, foolhardy man or company that would undertake to break into any of these conferences or trades in the North Atlantic, assuming that on account of the present high rates governing in the trade they might share in the traffic and establish themselves?

Mr. SICKEL. Right at the moment there is very little inducement to any outsider in any conference to attack the lines in that conference, because his business in other directions is just as good.

The CHAIRMAN. Well, but is not this the fact, that, as I say, it would be a foolhardy company, anxious to give away or waste its capital and surplus, that would undertake that? In other words, they would know just as soon as they went into the trade the conference lines would drop the rate and the traffic would no longer be remunerative, and they would just face a loss?

Mr. SICKEL. That is some regular line or a tramp?

The CHAIRMAN. Suppose it is a new line just organized. A man would see that the rates are enormous and that there are cargoes on the docks awaiting shipment. There is a real demand for increased facilities, and they would say, "Why, here is an opportunity to make a lot of money. Let us organize a new line and put it in that trade at the established rates." I say, just as soon as they would get organized and fairly started the conference lines would reduce the rate.

That would be the logical thing to do, would it not? Just put them out of business before they got fairly started?

Mr. SICKEL. If the line or man who wished to attack a group of lines that are in conference—that is, a man who owns his business and has capital—I would think he would be admitted without any fight.

The CHAIRMAN. He would have to be a very “respectable” gentleman and with unlimited resources before he would have received that invitation to come in, would he not?

Mr. SICKEL. I am talking about a newcomer, one who had never had any steamers before—should come in with capital and experience, he would probably be admitted and there would probably not be any fight.

Mr. HUMPHREY. It would be a question whether it would be cheaper to drive him out or let him in?

Mr. SICKEL. That may be.

Mr. HUMPHREY. Do you think that any business man, unless he had practically unlimited capital, after reading the conference agreement of your line and the others of the North Atlantic have signed would undertake to go into that business of the North Atlantic unless he has sufficient capital to break the combination and force his way into it, in view of the agreements that are set out there over the signature of each line in that conference, saying specifically what they will do and what they are bound to do, under heavy penalty, and the money to put up to force them to do it?

Mr. SICKEL. That is the history of all lines in the different conferences. They did not all begin with the same number of lines that are now in the conference. They may have begun with a few, and one man makes an entry into the trade, and then another man makes an entry into the trade, and the number of lines in the different conferences are increasing all the time, looking back over a period of 10 or 15 years. I gave in my testimony on the 22d of January how we had started in the West Indies with the purchase of the Atlas Line and finally somebody else walked in and shared the business with us, and we fought and we finally came together; and then, ultimately, after we had settled our differences, a third company comes in, and there was no way to keep them out. They were all people who knew their business and had financial resources to back them up.

Mr. HUMPHREY. In other words, it all sums itself up into this—that you are not going to let anybody in unless they are so strong you can not press them, and yet you talk about competition. It is only competition in so far as you can not profitably prevent it?

Mr. SICKEL. I know, but after the conferences are formed you are still subject to competition, because if the tramp takes away the basis of our business, the rates are bound to fall.

Mr. HUMPHREY. Outside of the question that the tramps are very largely owned or controlled by the conference lines?

Mr. SICKEL. I do not admit that, sir; that they are “owned and controlled.”

Mr. HUMPHREY. I am making the statement. I do not ask you to admit it. I am simply making the statement. Is it not a fact that wherever the tramp vessel begins to have a regular trade, that they immediately combine too. Just as soon as the tramp—for example,

take it on the Pacific coast, where a large portion of our grain and our lumber are carried by tramp vessels, is it not true that they immediately followed after you gentlemen and fixed up a combination of their own, just as quick as they get enough of the freight?

Mr. SICKEL. I have never heard of owners of tramps—and there are hundreds of them abroad—who have ever made any attempt to form a great combination among themselves.

Mr. HUMPHREY. Would you call a sailing vessel a tramp?

Mr. SICKEL. If she was in no regular trade.

Mr. HUMPHREY. That is what I mean; in no regular trade. With that definition, I will say, for your information, that one of the first conferences or combines that was ever formed was formed by the sailing ships of Germany, England, and France, sailing from the west coast of the United States to Europe. They formed their combination. I have seen copies of their written agreement, and immediately—within 30 days after they had formed that combination—they raised freight rates on wheat over 400 per cent.

Mr. SICKEL. Well—

Mr. HUMPHREY. So that the sailing vessels and the tramps are just like the other steamers—as quick as they get in control of the business they immediately combine on the rates.

Mr. THAYER. Mr. Sickel, is it not true that the very object of your conference is to override this law of supply and demand, if there is any such law, by the law of profit and loss?

Mr. SICKEL. I do not get quite get that. [The stenographer read the pending question.] Well, to answer that question, I but repeat what I have previously said, and that is, we naturally hold up our rates at the highest level we possibly can in order to make money. That is what we are in business for; but we have to be very careful in any action of that kind not to bring in outside competition which might be attracted by the high rates that we are naming.

Mr. WILSON. But did you not enter into these conferences for the purpose of being able to accomplish that to a greater extent than you could as individual concerns?

Mr. SICKEL. The original idea of a conference was to keep the rates from sinking to a level where it would be ruination to us.

Mr. WILSON. In other words, to destroy that operation of the law of supply and demand of lowering prices?

Mr. SICKEL. As much as we possibly could we would do so.

Mr. WILSON. And your conferences were entered into for that purpose?

Mr. SICKEL. To sustain the rates as far as possible.

Mr. WILSON. To prevent them from falling as a result of the law of supply and demand?

Mr. SICKEL. Preservation against annihilation when business is so bad that it would put us all out of business.

Mr. WILSON. Your conferences, then, are entered into for the purpose of preventing the falling of prices, because you feel that a falling of prices might destroy some of the concerns that are in the conference?

Mr. SICKEL. We are not thinking so much of our neighbors as we are thinking of ourselves.

Mr. WILSON. Well, some or all of them?

Mr. SICKEL. Quite so.

Mr. WILSON. Then it actually is an obstruction of the law of supply and demand?

Mr. SICKEL. On the low level, yes; but when we come to exorbitant figures we are regulated by the outsider.

Mr. WILSON. That is, there is a point beyond which you can not force up the prices as a result of this conference because of some tramp steamers that may come in and take a portion of the business?

Mr. SICKEL. Or the regular lines.

Mr. WILSON. But, notwithstanding the fact that there may be a point beyond which you can not raise the price, there is a point beyond which, by mutual conference, you will not lower the price, no matter what the law of supply and demand may call for? Is that the situation?

Mr. SICKEL. That is not necessarily true, for this reason: Suppose the rate on anything to any place is \$10. We put it to \$11, and we find that will encourage competition. Now, rates begin to fall; they have fallen, for the sake of argument, to \$5. We think we will try to get \$6. The same law of supply and demand applies between the \$5 and the \$6 as between the \$10 and the \$11, because the whole world's range of rates have fallen. There may be just as much danger in putting that rate to \$6 as against \$5, as it was before in making it \$11 as against \$10. So, you may go down even further; they have fallen to a level of \$3, and if we try to raise them to \$4, we are encouraging competition from somebody else, because \$4 may be more attractive to an outsider than what he is getting in some other trade.

Mr. WILSON. In actual practice, is it not a fact that you never lower the rates beyond the point that is necessary to avoid the competition from tramps?

Mr. SICKEL. Tramps or other regular lines whose attack we are subject to all the time.

Mr. HARDY. Not if you are in agreement with them, are you?

Mr. SICKEL. Yes. In any one particular trade we are not in agreement with all the regular lines all over the world.

Mr. HARDY. But, Mr. Sichel, if it is a fact that there is a regular conference between New York and Hamburg, and some other lines are in conference from New York to Bremen, and some others from New York to Southampton, and those lines in conference as to each port, you are not fearing attack from them, because they have their line of business; and the only man you could fear attack from is some individual starting out, is it not? What line could you fear from Hamburg to New York that is now running or is now in existence which has any force?

Mr. SICKEL. We might fear the Royal Mail.

Mr. HARDY. Where do they run?

Mr. SICKEL. From Southampton to New York via the West Indies, and from England to South America.

Mr. HARDY. You mean that the Royal Mail might be induced to leave their line or to start out and try to occupy your territory also?

Mr. SICKEL. I know of nothing that would prevent their entering into the North Atlantic trade.

Mr. HARDY. As a matter of fact, you and they both are pretty strong corporations, or companies, and do you not think they are doing the same thing in their line that you are in yours, and if

they attempted that they would fear a return compliment—that you would try to enter into their trade?

Mr. SICKEL. That is occurring all the time.

Mr. HARDY. Does it occur. Do you find the Royal Mail ever comes in your way?

Mr. SICKEL. I do not mean specifically that one line, but they have done that very thing. If you will read my evidence given on the 22d of January, I stated we bought the Atlas Line, running from New York to the West Indies, and while we are developing that line, rejuvenating it and building it up, without our leave, or permission, or any intimation, they walked into our trade.

Mr. HARDY. That is only on the border line, is it not, where you neither one have a definite fixed trade?

Mr. SICKEL. Both of us have definite and fixed trades.

Mr. HARDY. But that territory where you are coming in conflict was out on the outskirts of your several provinces, was it not? That is, the West Indies trade?

Mr. SICKEL. I am trying to cite a case of where another large prominent line will come in and take the trade of another line. As another example, I can give you—

The CHAIRMAN. I think Mr. Hardy has overlooked the statements made here by representatives of these conference lines, that they have an agreement or tacit understanding by which one line will keep off the other's preserves.

Mr. HUMPHREY. I was going to ask if there is not a tacit understanding, right now, between the Royal Mail and the Hamburg-American?

Mr. HARDY. I think I have what the chairman suggests in mind, but what I am asking is if it is not true that the territory where they are now coming in conflict, is on the outskirts of their provinces, and a territory which does not belong particularly to any kingdom, and, as new lines, the Royal Mail and the Hamburg-American Line have not determined to whom it belongs. But you never find any big companies attacking you right in your principal trade, from New York to Hamburg, do you?

Mr. SICKEL. Say the Red Star Line, running now from New York to Antwerp, would determine to run a line of steamers from New York to Hamburg, is that the question?

Mr. HARDY. Yes. Have you ever had that sort of competition?

Mr. SICKEL. Do you not think Mr. Franklin's evidence covered that point very thoroughly?

Mr. HUMPHREY. My recollection is he said they had an understanding about it.

The CHAIRMAN. They all say that; there is no question about that.

Mr. SICKEL. There is no inducement for us to go into the New York to Antwerp trade, for the reason we are busy developing our own trade.

Mr. HARDY. I read that testimony of Mr. Franklin and Mr. Gottheil along that line. He stated no reason why he did not do it, but as a matter of fact he does not do it. That is not the question I was asking. You stated that there was competition between those strong lines, and you gave what I thought were outskirt points to illustrate it.

Mr. SICKEL. To the West Indies.

Mr. HARDY. Therefore I asked you if you ever come into competition in their well established territory?

Mr. SICKEL. Those lines on the North Atlantic do not send their steamers into the ports of other lines, for reasons which I think have been made fairly clear to you.

Mr. HARDY. Unquestionably.

Mr. SICKEL. There is no agreement among the lines working the eastbound business as to what the rates shall be to their respective terminal ports.

The **CHAIRMAN.** Because there is no competition between them?

Mr. SICKEL. No, Judge.

The **CHAIRMAN.** I think that was the statement of Mr. Franklin, or Mr. Gottheil, and then the additional statement was made that in each instance they charge all the traffic will bear.

Mr. HUMPHREY. You have one regular line from New York to Hamburg. Do you have any agreement with anyone else as to the rate from New York to Hamburg, or that no one else would come in there?

Mr. SICKEL. Yes. You were not present when I was on the stand before, but I made it clear, at least I hope I did, that we have no agreement at what relation our rate from New York to Hamburg shall bear to the rate from New York to, say, Antwerp. But all of the goods that are shipped from New York to the continent of Europe, through the various gateways are, after all, in competition. You remember, Judge Hardy, the sewing-machine case I cited?

Mr. HARDY. I remember the whole discussion of that question. You might compete for the territory back of the gateway?

The **CHAIRMAN.** Is not this true: There are about 70 of these world conferences, and the strong lines, like the Hamburg-American, the North German Lloyd, the International Mercantile Marine, the Cunard, and other lines, are members of these conferences, and the conferences try to regulate the trade, not only of the North Atlantic, but to South America and the Far East; and is it fair to assume, for instance in the trade occupied by the Atlas Line, they would come in and disturb existing relations unless there was some amicable arrangement made by which that might be avoided? In other words, they are in agreement, as you said, for a certain domain which is the larger and more important. Now, would they fall out over some slight province lying outside?

Mr. HARDY. Or would they come to terms on that?

The **CHAIRMAN.** Yes. They would not scrap over that?

Mr. SICKEL. All of these trades have been a gradual evolution, and where lines have been admitted to any conference, it has often been by agreement or it has been by force.

Mr. HUMPHREY. I saw a statement the other day which was very interesting to me, and perhaps you might be able to throw some light on it. It was a cablegram from London, as I recall, or, anyway, it was from some place in Europe. It spoke of some transactions that were taking place, of the Royal Mail purchasing some line of vessels, as I recall, but the significant part of the paragraph was this: It stated that in shipping circles the thought was that this foreshadowed a war between the Royal Mail and the Hamburg-American. Do you know anything about that?

Mr. SICKEL. I did not see the article, and I have no knowledge to what it referred.

Mr. HUMPHREY. I could not help having a feeling of some satisfaction, and hoped that it might be true, because I would like to see what the result of a fight between those two combines would be.

Mr. AYRES. Mr. Sickel, is not that possibly in reference to a rumor that the Royal Mail Steam Packet Co. purchased the Peninsular & Oriental, and there is in contemplation an around-the-world's service by combining lines? Can you give us any information about that?

Mr. SICKEL. I know nothing about the Royal Mail's intention to expand. They have been expanding very rapidly the last few years, purchasing other lines. It has been rumored that they have purchased the P. & O.; but nobody knows except those on the inside whether that is true.

Mr. AYRES. I had heard the rumor that it has been accomplished, and I did not know but what you might know something of it.

Mr. HUMPHREY. How many tons does the Royal Mail own now or operate?

Mr. SICKEL. Do you mean the Royal Mail itself or the lines that those interests control?

Mr. HUMPHREY. The ones it owns or that it controls.

Mr. SICKEL. I can not state with any degree of accuracy, but I think it is approximately a million and a quarter tons, which is about the size of our company.

Mr. HUMPHREY. I was under the impression it was a little larger, and you were second?

Mr. SICKEL. That may possibly be, but the so-called Royal Mail combination of steamers is rather loose—I mean it has no concrete form like the International Mercantile Marine. They are not bound by a holding company, the various companies are merely controlled by the same financial people.

Mr. HARDY. Are not they leased or operated by the Royal Mail?

Mr. SICKEL. No; they are all separate entities and have separate managements and organizations.

Mr. HARDY. In other words, they are just separate entities in mutual agreement with each other?

The CHAIRMAN. Oh, yes; the same financial interests back of them.

Mr. SICKEL. Yes; Judge Alexander gives the thought clearly.

The CHAIRMAN. They have interlocking directorates, I suppose, or directors?

Mr. SICKEL. Of course, you are asking me to talk about another line's business, and I am not quite familiar enough with it to answer with any degree of accuracy; but I believe that is correct.

Mr. HUMPHREY. I want to ask you one question, Mr. Sickel. Do you know what profit your company made in 1912 on its capitalization?

Mr. SICKEL. Those figures were given to the press about a week ago. I haven't them with me, but I can procure them and send them to you.

Mr. HUMPHREY. Do you remember the percentage on the investment, without going into details?

Mr. SICKEL. I remember the dividend was 10 per cent, which is 1 per cent more than the year before.

Mr. HUMPHREY. You put your capitalization, or did a year ago, at \$96,000,000. Have you increased that amount now?

Mr. SICKEL. For the last six or seven years it has been 125,000,000 marks, and they have recently increased it to 150,000,000 marks.

Mr. HARDY. How many dollars would that be?

Mr. SICKEL. A mark is 24 cents; approximately 4 marks to the dollar.

Mr. HARDY. That would be a good deal less than \$96,000,000.

Mr. HUMPHREY. I have seen it stated \$96,000,000.

Mr. SICKEL. That is not right.

The CHAIRMAN. You stated you gave a statement to the press the other day. That included, I suppose, your capitalization, net earnings, surplus, and all that?

Mr. SICKEL. It was only a summary of it that was cabled to us. The report in detail has not been published yet.

Mr. HUMPHREY. Of course, that net profit, of which you speak, of 10 per cent does not include anything in the way of writing off for new vessels and terminals?

Mr. SICKEL. I said the dividend was 10 per cent, not the profits of the company.

The CHAIRMAN. If you would furnish us a statement, we would be very glad to have it.

Mr. SICKEL. Of the earnings of 1912? That report will be in our hands, I should say, early in March. It is in German, and I will have it translated and send it to you.

The CHAIRMAN. Very good.

Mr. HARDY. Let me ask you, along that line, in connection with this 10 per cent dividend, how much bonded indebtedness was taken care of at the same time—

The CHAIRMAN. I suppose that statement will show all those facts?

Mr. SICKEL. All of them; but I might say our bonded indebtedness is quite small; I should say, as I recollect it, not over 60,000,000 marks, which is about \$15,000,000.

Mr. POST. What percentage of stock is American owned?

Mr. SICKEL. We have no record of that, but I do not know of any that is owned here of my own personal knowledge. It is held almost entirely abroad.

Mr. POST. In Germany?

Mr. SICKEL. In Germany.

The CHAIRMAN. I have before me a letter from an importer of New York, dated January 29, 1913, addressed to the committee, in which the writer asks this question:

The undersigned wishes to inquire whether there is any possible relief from what is evidently an English shipping combination.

We are importing linens from Belfast, Ireland, and whether we ship by the White Star Line, Anchor Line, or Cunard Line via Liverpool or Glasgow, we are charged the same rate of freight by all these companies, viz, 45 shillings and 6 pence per ton, and 10 per cent primage, making 49 shillings and 6 pence per ton.

We are at the same time importing similar goods from France, shipped via Harve and Southampton on one of the above lines, namely, the White Star Line, who-charges only 26 shillings and 6 pence per ton. They evidently are

seeking the trade of the French line, whose rate is only 25 francs per ton, but being what is evidently a combination of English shippers, they put the freight rates up every few months, until it is now at the most outrageous price of 49 shillings and 6 pence per ton.

Will you kindly advise us whether there is anything that could possibly be done in this matter?

This is one of the many letters of like import that we have received, and from his statement the rates are nearly double from the English ports what they are from Havre. He is asking the committee for a suggestion as to how relief may be had. Many of these letters call attention to the fact that the increase in the commerce has only been, as I have stated, 7 per cent in 1911 and 17 per cent in 1912, and they can not understand why the rates have been increased from 100 to 200 per cent. Thus far I have listened patiently to your statement, and I am at a loss to know the occasion for the increase in rates unless it be that this territory is occupied by the conference lines and they are absolutely in a position to control the rate and they have fixed it without reference to the proportionate increase in the volume of business, and have been guided wholly by the arbitrary principle that they will charge all the traffic can bear. And is not that the only answer that can be made in the light of existing conditions?

Mr. SICKEL. The ships trading in other parts of the world in which this committee is not interested are earning money to-day in quite as great, if not greater, ratio than the lines trading to and from the United States. Take last winter, for instance, when we had a great crush of freight, and I appealed so strongly to my principals abroad to give me more of their tonnage in our North American trade so as to avoid our chartering, which we were doing, to lift this surplus. I asked them to rob other trades to supply us with our own tonnage, because the rates were attractive, and they said, "We can not do it, because the trade in other directions is as good or better, but you are privileged, even though you make a loss in doing it, to charter ships to relieve this surplus." Now, isn't that an answer to your question, that it must be a world's condition and not a local condition?

The CHAIRMAN. I am not undertaking to solve the problem. I want you to solve it from the shippers' standpoint. These conferences, however, are not simply in the North Atlantic trade; they are throughout the world. May it not be that these rates have been arbitrarily advanced in all these trades just as they seem to have been advanced in the North Atlantic trade?

Mr. SICKEL. I think that upon close investigation you would find that in the last two years on the capital invested the tramp has made more money than the regular lines. Now, he, as a rule, is not working in cooperation with his neighbor. He is floating around all over the world, picking up full cargoes, and yet he has done better relatively than the regular lines. Now, there is a man who is not in conference and who has made money in the last two years out of all proportion to what the regular lines have made.

The CHAIRMAN. That is on wheat and lumber and coal and those heavy commodities that usually move in shiploads? Isn't that true?

Mr. SICKEL. That is correct; full cargo stuff.

The CHAIRMAN. And so far as those commodities are concerned, this increase in rates might not apply to the same extent—

Mr. SICKEL. Oh, I beg your pardon, sir.

The CHAIRMAN. I say, to the same extent, from 100 to 200 per cent. I say it may not.

Mr. SICKEL. I can give you some specific figures on this, if you wish, to show what the advance has been in the tramp's rate. Two years ago approximately we were able to charter ships on what is known as the net form—in this case, Mr. Humphrey, we need not give what it is in American money, because the point I want to make is the percentage of increase, which you can measure in any currency—I should say that two years ago on the net form the tramp's rate was about 3 and 6 for a voyage over.

The CHAIRMAN. Three shillings and 6 pence?

Mr. SICKEL. Yes; 3 shillings and 6 pence. That is, per month, on the dead-weight carrying capacity of the ship.

Within two years 14 and 6 was paid. You can work out that percentage yourself. Those are extremes. It has fallen now from that very high point to around 9s. It is just like any other commodity, that is governed by the law of supply and demand, like stocks, like wheat—in an advancing market it takes a little step back and then it goes up still further.

The CHAIRMAN. You say that rate was on what commodity?

Mr. SICKEL. That was on no particular commodity. That is a basis for chartering the ship. If you will permit me, I will explain more clearly what is known as the "time charter."

Mr. HARDY. I think that has been explained.

The CHAIRMAN. Yes; that has been explained.

Mr. SICKEL. Has it? The point I was wishing to make, is the percentage of increase with the tramp, and you see in two years what it has been with him, who is not working in collusion, if you wish to so put it, with his neighbor, and he has benefited far more than we have.

Mr. HUMPHREY. He has dropped down, too, has he not?

Mr. SICKEL. He has come down from about 14s. to 9s., but I can not tell; to-morrow it may be 10s.

Mr. HUMPHREY. Was that in the past year, from 14s. to 9s.?

The CHAIRMAN. Yes; the past two years. I think you said the last two years?

Mr. SICKEL. My statement was that it had gone up from 3 to 6 in two years, approximately.

Mr. HUMPHREY. That is what I thought.

Mr. SICKEL. And then it went up—

Mr. HUMPHREY. Gradually to 14.

Mr. SICKEL. And it would fall back a little, then it would go up a little more, and fall back a little, until the high point it touched was, if I recollect correctly, about 14 and 6.

The CHAIRMAN. When was that?

Mr. SICKEL. I should say that the high point was touched three, or possibly four, months ago.

Mr. WILSON. Is that a single instance?

Mr. SICKEL. Now it has gone back a little, to 9.

Mr. HUMPHREY. There is no such drop in the conference lines—they have not dropped in any such proportion, have they, in their rates?

Mr. SICKEL. They never advanced to anything like that percentage, so that the necessity for our dropping back did not exist, as yet, but if they should fall down to a level of, say, 5 shillings, which is higher than the low point at which they have touched, you would find that would affect conference rates, because then the tramp would begin to take away our groundwork on which we maintain our business, and the other rates are bound sympathetically to fall with it.

Mr. WILSON. Is that 14-shilling rate a single tramp, or was it the general rate for tramps at the time you have quotations, three or four months ago?

Mr. SICKEL. Which is the same principle as the price of wheat in the pit in Chicago; that was for wheat, this was for steamers.

Mr. WILSON. Was it for a single steamer at that time that it reached the high point of 14 shillings, or was it a general rate for tramp steamers?

Mr. SICKEL. I can not tell how many steamers were fixed at that figure, but as a rule any commodities that fluctuate to any great degree the very high price is, as a rule, only paid sparingly; but I should say around 12 and 6 there were a great many steamers fixed.

Mr. THAYER. You mean that is the market quotation?

Mr. SICKEL. That is the market quotation, and you deal in the tramp ship in the same way you do on the exchange with stocks.

Mr. THAYER. I want to ask you this question: You said you over-chartered a number of tramp steamers, and those were tramp steamers?

Mr. SICKEL. Yes; we did that because the movement of freight that we had under contract was so large that we could not lift it with our own tonnage, so we chartered these ships and did it at a loss, too.

Mr. THAYER. Because you were under contract?

Mr. SICKEL. We were under contract for a great deal of stuff, and we had to protect our contracts.

Mr. THAYER. I understand that.

Mr. SICKEL. We can not gauge the movement—

Mr. THAYER. Oh, certainly.

Mr. SICKEL (continuing). Of our trade with any great degree of accuracy.

Mr. THAYER. The reason you chartered them at a loss was because you were under contract and had to fulfill these contracts?

Mr. SICKEL. That is the primary reason; but, incidentally, we wished to protect our trade.

Mr. THAYER. Wait a minute. I am going to ask you this question: If you had this great surplus of trade and had chartered ships to take care of it and had had no contracts, would you not have raised your rates to correspond with the increased price of the chartered boats?

Mr. SICKEL. We did do that. We did raise our rates, but not on the stuff already under contract; but for new contracts our rates kept advancing, sort of following the tramp.

Mr. THAYER. So that as far as your charges for the chartered ships were concerned, if it were not for the contract freight you would not have carried it at a loss, would you?

Mr. SICKEL. I will try to make what I believe is in your mind clear with this example: Suppose to-day we were to go in with no

contracts at low rates on our books, and we wished to load a tramp steamer at our current figures. I doubt very much whether we could make any money, and the chances are we would make a loss.

Mr. THAYER. Why should you wish to load it at your current figure?

Mr. SICKEL. If we make the figure higher the shipper will employ the tramp himself. I can not get my rates above the tramp.

Mr. THAYER. No.

The CHAIRMAN. Right at that point; the tramp is employed by the large shipper, the company or concern that wants to move large quantities of freight; for instance, the Steel Products Exporting Co., a subsidiary of the United States Steel Corporation—they are in a position by reason of the fact that they ship in shipload lots to hold the tramp over you as a whip and dictate the rate, are they not; that is, you can take their freight at a certain rate or they will employ the tramp, is that not true?

Mr. SICKEL. That is correct.

The CHAIRMAN. Very well, but that does not apply to the small shipper. Coming back to this party whose letter I have read here—an importer of linens—he does not ship in shipload lots. He will never use a tramp, and in turn the exporter from this country, of boots and shoes and clothing and other commodities, does not ship in shipload lots; he can not charter a ship, but he must depend on the lines in the regular service; he is the man that is complaining chiefly; and he is the man who thinks he is getting badly hurt by this advance in rates on your part; and he is emphasizing the fact that while the rates have increased from 100 to 200 per cent the volume of commerce has not correspondingly increased. Is it not true that he is the one that has the just ground of complaint, and that the conference lines absolutely control those rates, and that the tramp is not a factor at all?

Mr. HUMPHREY. Might I interject right on that point, Mr. Chairman, that I got a letter this morning complaining—I wish I had brought it up with me—about the rate on wines. That would be right along the same line.

The CHAIRMAN. We have many, many letters on that point.

Mr. HUMPHREY. I got that one this morning.

The CHAIRMAN. In other words, he is absolutely at the mercy of the conference lines; it is purely a question with them what rates they will make. Is not that the situation, and have you not that situation absolutely in control, and they dictate the rate up to the point, say, where the traffic will not move?

Mr. SICKEL. When the tramp falls in his rate he takes away the basis on which we build up our business—the rough goods—and, conference or no conference, when our ships begin to run empty or not entirely empty, but part full, the pressure upon us in our desire to fill those ships is bound to depress all of the rates on every class of goods, and they will gradually sink to a lower level. Goods like linen do not fluctuate from day to day like the rate on grain, but ultimately they are affected by the tendency of the whole world's shipments.

The CHAIRMAN. Why is that true?

Mr. SICKEL. Ultimately, I say, because the minute the low-class freight begins to pay us a low rate we are bound to feel the effect

on the high-class goods, and they will come down with it. Conferences do not always put up rates; lots of times conferences put rates down.

Mr. HUMPHREY. When have you put down a freight rate?

Mr. SICKEL. We have not put down any freight rates in a broad, general way—of course, little; some articles we might put down.

Mr. HUMPHREY. A general reduction?

Mr. SICKEL. A general reduction—there has not been any for two years—because we began to feel this change coming in the whole world's shipping in the summer of 1910.

Mr. HUMPHREY. Has there been any marked reduction of freight rates in 10 years?

Mr. SICKEL. Following the collapse of the Boer War, when rates were on a high level, within a year after that freights came down to a very low level, and for a period of about 10 years there was great depression in the trade. The change came, as I have said, in the summer of 1910. It was just barely apparent then, and we, or many of us, thought it was merely a "flash in the pan" and it would peter out, as did many other little indications of better freights during the previous 10 years, but it proved to be the beginning of a real advance the world over.

Mr. HUMPHREY. Freight rates went very high about the commencement of the Boer War? That was in 1900, and a lot of ships were called in by England to use for transport purposes?

Mr. SICKEL. It took away so many steamers that it affected rates the world over.

Mr. HUMPHREY. When you dropped back, you did not drop to your former level; you simply dropped back to the level where you were when the Boer War inflated the rates, did you not?

Mr. SICKEL. We dropped back to a level of freights where hundreds of tramp owners became bankrupt, and the regular lines, many of them, could not earn sufficient for their depreciation or their interest.

Mr. HUMPHREY. Your general level is higher to-day than it ever has been, is it not?

Mr. SICKEL. I have been in the business for 25 years, and I have never seen the condition of shipping the world over finer than it is to-day.

Mr. HUMPHREY. You never saw freight rates as high as they are to-day, did you?

Mr. SICKEL. Taking them as a whole?

Mr. HUMPHREY. That is what I mean—taking them as a whole.

Mr. SICKEL. And, Mr. Humphrey, I want to make it perfectly clear, that is not a local condition; it is a condition that extends the whole world over.

Mr. HUMPHREY. I know that. I know that your conferences extend the whole world over, wherever there is any water. There is just one more question—

Mr. SICKEL. But this applies to ships that are not in conferences.

Mr. HUMPHREY. I understand that, too. There was one statement of yours awhile ago that struck me as very significant, and that was when you said freight had collected to such an extent that you appealed to the representative or the owners of your line in Europe for relief. Could you suggest any way that we might escape the humili-

ating condition of having to wire to Europe for our tonnage as well as for water rates we shall have to pay when we do send for ships; in other words, can you suggest to the committee some way we can be free to purchase and carry our own commerce ourselves?

Mr. SICKEL. Well, in the first place, we do not consult our principals abroad as to what rates we shall name from the United States to the ports of the world that we serve. That statement is incorrect.

Mr. HUMPHREY. Do you fix freight rates without consulting with the people in Europe?

Mr. SICKEL. I do. They attempt no supervision over us.

Mr. HUMPHREY. You are absolutely free in the fixing of your freight rates?

Mr. SICKEL. Absolutely.

Mr. HUMPHREY. Then, if that is true, how does it happen that in the very papers to which your line is a party the agreements are made in Europe and it is understood that they shall not be changed without consultation, and in regard to your passenger rates it is specified it shall be at Jena? How does it happen that your line is the only one, so far as this committee has yet discovered, which independently fixes freight rates without any consultation with Europe?

Mr. SICKEL. You are talking about freight rates now, are you?

Mr. HUMPHREY. Yes.

Mr. SICKEL. I can not explain that except that they do not attempt to say we shall name this or that rate on any particular commodity.

Mr. THAYER. Not even a basic rate?

Mr. SICKEL. Not even a basic rate. I gave that in my testimony on Wednesday last.

Mr. HUMPHREY. You mean to say the owners in Europe or the men who control this particular line are not consulted in fixing freight rates?

Mr. SICKEL. On exports from the United States?

Mr. HUMPHREY. Yes.

Mr. SICKEL. I make that statement, sir, and I am under oath. There has not been a scrap of paper in our office since I have been connected with this company that has ever told me what my rates shall be from the United States to any port we are serving.

Mr. HUMPHREY. You fix them entirely without any consultation with the home office?

Mr. SICKEL. Without any consultation with the home office. This does not apply to what we call our import or westbound. They make the rates over there on that.

Mr. HUMPHREY. Yes; I understand. I am talking about eastbound now.

Mr. SICKEL. I do not want you to get this thing confused with the westbound, because we have no jurisdiction over the westbound. If we are asked what rate is charged to the principal ports on the other side, we have a clear understanding. We also have a similar understanding as far as westbound rates are concerned; that is, on our import business. We are not to interfere with that business. We will not contract the goods here. We will leave that all to them abroad. But on the export it is all left to us.

Mr. HARDY. Who is "us"?

Mr. SICKEL. "Us" meaning our own corporation here—the Hamburg-American Line.

Mr. HUMPHREY. Then, in fixing rates from here to Europe, you do not consider what the rates are from South America to Europe or anywhere on that triangular trade? Your vessels are engaged in the South American trade, too?

Mr. SICKEL. To make this perfectly clear, I am forced to make another explanation. When I stated what I did I referred entirely to freight rates across the Atlantic; that is, to all ports where the steamer goes across the Atlantic. We have an interest with the Hamburg-South American Line in the service from here to Brazil. That service is managed by the Hamburg-South American Line, and they do compel our agents, who are Funch, Edye & Co., to consult with them with regard to rates they are naming outbound. But that is a line we are not agents of. Some other interest is the agent. I am talking about our own corporation—the Hamburg-American Line. On all of the rates we name from the United States to all of the ports of the world we never consult them, and they never attempt to dictate to us what the rates shall be.

Mr. HUMPHREY. Those rates are fixed by conference?

Mr. SICKEL. The rates from New York to Hamburg are not fixed by conference, because there is no conference on the New York-Hamburg trade.

Mr. HUMPHREY. Well, the rates generally are fixed by conference on the North Atlantic. You do not fix your rates independently?

Mr. SICKEL. Unfortunately, you were not here on Wednesday to hear my evidence on that.

Mr. HUMPHREY. Let me understand this, because, if we have discovered some line that fixes its rates in this country, independent of anyone else, I am mighty glad to know it. I have been looking for a line of that sort for some time, and I want to understand it: You say that between here and Europe you fix the rates yourself and do not consult with anyone else; a conference does not fix it, and you do not consult with any other line, but you fix the rates yourself. Is that true? If that is the fact, I am mighty glad to discover it.

Mr. SICKEL. That is correct, with one qualification. I do not want you to misunderstand me. In the evidence given here by Mr. McCarthy a few days ago, he showed a combination of lines into the Baltic, and he showed that there was a conference among the lines serving that territory that fixed the rates from the United States. But those rates are fixed without consultation with the principals abroad. Take another trade: As I cited here last Wednesday, the rates on the trade to the Levant are controlled by a gentleman's agreement, to which we are a party.

Mr. HUMPHREY. How do you fix yours? That is what I want to know. I do not care anything about other people.

Mr. SICKEL. Ask me this question: To what ports abroad?

Mr. HUMPHREY. Between here and Europe, you said you do not consult anyone in Europe.

Mr. SICKEL. That is correct.

Mr. HUMPHREY. They are not fixed by conference. Now, tell us how they are fixed?

Mr. SICKEL. For a small proportion of our goods which go into the Baltic, they are fixed by conference here in the United States.

The CHAIRMAN. Between the different lines trading to the Baltic?

Mr. SICKEL. Yes; but without any dictation from their respective principals abroad. That may be true in some of the other lesser ports that we serve by transshipment at Hamburg. But, when it comes to the great volume of business that is going to the continent of Europe, we are not members of any conference and our principals abroad do not attempt to dictate to us what rates we shall name.

Mr. HUMPHREY. You have not yet told us how you did fix yours.

Mr. SICKEL. How I fix those rates?

Mr. HUMPHREY. Yes.

Mr. SICKEL. By the law of supply and demand.

Mr. HUMPHREY. Independent of any other line?

Mr. SICKEL. Independent of any other line.

Mr. HUMPHREY. There is no gentleman's agreement or understanding of any kind?

Mr. SICKEL. There is no gentleman's agreement or understanding whatever on the large and more important business, which is the business that goes to the continent of Europe, in which we are in competition with the lines serving Antwerp, the lines serving Rotterdam, and the lines serving Bremen.

Mr. HUMPHREY. And you get different rates from your competitors?

The CHAIRMAN. They do not trade to the same points.

Mr. HUMPHREY. I understand that.

The CHAIRMAN. He just trades to Hamburg, and the North German Lloyd to Bremen.

Mr. HUMPHREY. I understand that.

Mr. SICKEL. But we have competition, just the same, even though they may serve Bremen and we serve Hamburg, and the goods, after they leave the ship and get into the interior, are in competition. I brought that out in my evidence last Wednesday.

Mr. HUMPHREY. That is the very point. You say in fixing rates from New York to Hamburg you do not consult anyone. You do not take into consideration what others are carrying for, but just fix the rates independently, as an independent line, and you take that trade and do not fix the rates with reference to these other lines by any agreement or understanding, a gentleman's agreement, or any other kind. You just simply run independently?

Mr. SICKEL. We are absolutely independent.

Mr. HUMPHREY. How much do your lines vary? You say you run to Hamburg; what is the nearest port where you have a competitor?

Mr. SICKEL. Bremen.

Mr. HUMPHREY. How much difference is there between your rates to Hamburg and the rates of your competitor to Bremen from New York? How much do your rates vary?

Mr. SICKEL. As a rule—mind you, Mr. Humphrey, we are going over the testimony we went over last Wednesday.

The CHAIRMAN. Oh, yes; the whole question was gone over.

Mr. HUMPHREY. As a rule they are practically the same?

Mr. SICKEL. Those rates?

Mr. HUMPHREY. Yes.

Mr. SICKEL. No; they are not. They differ, but there is no law to govern the difference. Sometimes we are higher on a commodity

than the North German Lloyd to Bremen and sometimes they are higher than we are.

Mr. STEPHENS. What proportion of the freight carried to Hamburg by your lines is conference freight?

Mr. SICKEL. To Hamburg proper there is no conference business.

Mr. STEPHENS. Well, take it for points beyond Hamburg, through Hamburg?

Mr. SICKEL. I should say that 80 per cent of our business from the United States to Hamburg is on a bill of lading reading from a United States port to Hamburg, which would leave 20 per cent that is going to ports beyond Hamburg. Now, of that 20 per cent of business going to ports beyond Hamburg I can not give you accurately how much of it is controlled by conference, but I would say, offhand, not to exceed half of it. In other words, 90 per cent of our business from the United States to the port of Hamburg, whether it is going to stay in the Continent of Europe or go on to the distant ports of the world, is free of any dictation by our principals abroad or dictation by conference.

Mr. STEPHENS. How much of that business going to Hamburg, that 90 per cent which you referred to, is to interior points and carried on through bills of lading?

Mr. SICKEL. Carried on through bills of lading to the interior?

Mr. STEPHENS. Yes.

Mr. SICKEL. I can not answer that, but it is a small proportion. Because it does not go on a through bill of lading does not mean, necessarily, that the business is consumed in Hamburg. The man who purchases it in Hamburg on a port-to-port bill of lading will attend to the interior distribution himself, all of which evidence was brought out, I hope clearly, the last time I was on the stand.

Mr. STEPHENS. You make a rate on a very small proportion of goods carried. You make a rate to the interior points in a very limited number of instances. do you not? Is that true?

Mr. SICKEL. As a rule the receiver abroad prefers to do his own distributing; yet some of them will ask that a through bill of lading be issued to the interior of Europe. But this does not prevent all of those four or five prominent gateways like Hamburg, Bremen, Antwerp, and Rotterdam being in competition with each other, just as New York, Philadelphia, Baltimore, and New Orleans are the gateways on goods coming westbound to the interior of the United States.

Mr. STEPHENS. Do I understand you to say, Mr. Sickel, that the larger part of the goods carried by your line from New York to Hamburg, intended for interior points, is taken at rates by your company without any conference whatever with anyone else?

Mr. SICKEL. That is absolutely correct, to the port of Hamburg, whether it is destined to the interior or not. I can not always tell the ultimate destination of the merchandise or where it is going to be consumed.

The CHAIRMAN. That is true, is it not, because of what is known as the N. D. L. V. agreement, by which the port of Hamburg is reserved to the Hamburg-American Line?

Mr. SICKEL. Oh now, Judge, I have shown clearly in my previous evidence that all of those ports are still in competition; but because the Red Star may not compete directly to Hamburg, it may, as you say, be controlled by the agreement you have referred to.

The CHAIRMAN. Yes.

Mr. SICKEL. But the principal reason we have not direct competition from others is that in the North Atlantic we run largely what we call the combination freight and passenger steamer.

The CHAIRMAN. Yes; you have gone over that.

Mr. SICKEL. And we make a freight rate that is not attractive to the outsider to compete with us.

The CHAIRMAN. Is there not another element that keeps out an ambitious rival—what is known as the fighting fleet of Hamburg? To be more specific, is it not true that a corporation known as the Syndikats-Rhederei, a corporation which operates the fighting ships of the six largest Hamburg companies engaged in extra-European trade; a company which is nominally a vessel-owning company with a capital of \$1,428,000, engaged in a commercial enterprise, but which actually, is a defensive corporation owned, in respect to the capital shares, as follows:

Hamburg-American Line-----	\$785, 400
Hamburg-South American Line-----	168, 600
German Steamship Co.-----	154, 700
German-Australian Steamship Co.-----	130, 900
C. Woermann-----	119, 000
German-East Africa Co.-----	71, 400

Or a total capital of \$1,428,000.

Is not this company owned and controlled in the proportions I have given by these several companies trading out of Hamburg, and the ships used as fighting ships in trades and as against other companies that may threaten to come into competition with them?

Mr. SICKEL. Whether that company exists now or not I can not say, because I have very little knowledge of it. I do know, positively, that at one time it did exist.

The CHAIRMAN. And for the purpose I have stated—as fighting ships?

Mr. SICKEL. That was the purpose of the organization of the company.

The CHAIRMAN. My information is to the effect, further, that in the distribution of shares they were apportioned with reference to the tonnage of the companies named, and that this fighting corporation was organized on December 19 and registered on December 23, 1905, and that one-half the original capital was paid in immediately. Also, that four comparatively small and inexpensive ships were purchased and used, with such others as might be chartered from time to time, and hired out to the six owners of the company to meet dangerous competition and to drive it away; that the fighting ships handled chiefly bulk goods, leaving merchandise which requires prompt transportation to the care of the parent company, which maintains its nominal rates as far as possible, the stress of competition being borne by the fighting ships, technically. Also, that in the times of peace the fighting ships engage in regular trade on time charters, and that, as this corporation is not one for profit, primarily, the investment, in reality, is a new sort of insurance. My information, further, is that the Syndikats-Rhederei made no money at the beginning of its history, this fact indicating that the ships were actively engaged in commercial warfare, but that last year the

returns were favorable, as rates, generally speaking, were higher and the regular lines required less expensive support.

As I say, that is our information, and this line, as we understand, is still in existence and for the same purpose, whenever necessity may require. What information have you on that?

Mr. SICKEL. I have no information direct from my principals that that exists, but it is a well-known fact that the Syndikats-Rhederei does exist. I have never before heard the division of the shares among the different lines, but the purpose, I do believe, is as stated here.

Mr. HUMPHREY. A gentleman was talking to me a short while ago, and he told me he went to Europe for the purpose of investigating about running a steamship line between this country and Germany. He went to Hamburg, and while he was making his investigations he was informed that no line of ships running in competition with the Hamburg-American Line would be permitted to come into the port of Hamburg. Now, he did not mean that there was a statutory prohibition, did he? If that was true, what was the reason, if you know?

Mr. SICKEL. I can not believe that that is true, because, as I stated last Wednesday, from our southern United States ports—that is, south of Norfolk on the Atlantic and from the Gulf—there are a great many steamers running to Hamburg in competition with us.

Mr. HUMPHREY. Is there any statutory prohibition or any Government requirement or any Government regulation that would prohibit that?

Mr. SICKEL. None that I know of.

Mr. THAYER. I wanted to ask you this question. Perhaps it would take too long to answer before recess, but I shall not be here this afternoon. What motives induce you to charter tramp steamers? That is a pretty comprehensive question.

Mr. SICKEL. To protect our trade and our clients. It would be a fine state of affairs if the shipper to Hamburg did not have the facilities to ship his business.

Mr. THAYER. You understand, Mr. Sickel, that when I am asking these questions they are more for information than they are for criticism. The criticism would come after we develop the facts.

Mr. SICKEL. It is primarily to protect our trade. Any man who does not protect his trade by offering the necessary facilities is bound to have somebody else come along and share the business with him, which, of course, we would try to avoid.

Mr. THAYER. Just one further question, to turn back to your hearing last Wednesday. You said you did that partly as you had contracts that you had to fulfill?

Mr. SICKEL. Yes.

Mr. THAYER. Any extra freight that you took by those steamers you took at a rate that would pay you, didn't you?

Mr. SICKEL. I tried to get as near to what we would ask for a full cargo of that stuff as I could.

Mr. THAYER. I understand you. Of course, you charged for a tramp steamer, but you charged at a rate that would pay you if you could use the whole steamer for that purpose?

Mr. SICKEL. Yes; but remember we were discussing this same subject a few minutes ago. If to-day, for instance, we had not a

contract on our books, and I were to go out and charter a steamer at the present rates we are asking, the chances are we would lose money, showing we did not charge as much as the tramp would.

Mr. THAYER. But when you have got to charter steamers you have to do it?

Mr. SICKEL. Sometimes we can not gauge the amount to fit the amount of tonnage pointed our way, and in order to prevent any delay, whether it is at a profit or at a loss—and it is generally at a loss—we will take an outside steamer so as to give satisfaction to our clients.

Mr. THAYER. You could not do that very long?

Mr. SICKEL. No.

A recess was thereupon taken until 2 o'clock p. m.

AFTER RECESS.

At the conclusion of the recess the committee reassembled.

The CHAIRMAN. Mr. Sickel, I believe you wanted to make a statement.

Mr. SICKEL. Yes; I wish to make it with regard to the relation which the exports of the last two years bear to the previous years as against the advance which has been made in ocean freights. During the recess I developed the fact that your figures are measured in dollars and cents, which the statistics of the steamship lines do not pay any attention to, as they are influenced only by the volume of business that moves. I contend, therefore, that to make the comparisons such as you brought up this morning is not altogether fair, and that you should measure it not by the number of dollars' worth of merchandise that had been exported but by the volume. For instance, during 1912 we have been in the position where we have had all three of our prominent cereal products on an export basis—that is, corn, wheat, and oats—something that we have not seen for 10 or 15 years; that is, where all three are being exported simultaneously. My remarks apply particularly to the fact that oats are being exported, which are a bulk article. I think if you would go into your records and develop what the volume of this business has been, not measured in dollars and cents but in the space that the goods occupy, you will find that, comparing the advance of ocean rates with the increase in volume, the figures will be very different from those which you gave me this morning.

Of course, I have had no time in this hour of recess to try and analyze this thing, but I do know from my intimate contact with the business that the goods that have moved in the last year or so of a bulky nature have been abnormally large, and it is the volume that affects the rates.

The CHAIRMAN. As I understand you, there has been an abnormally large increase in the number of bushels of wheat and corn and oats?

Mr. SICKEL. Yes.

The CHAIRMAN. And an abnormal increase in the movement of coal?

Mr. SICKEL. Yes.

The CHAIRMAN. Now, if the statistics do not show that to be correct of course even that argument would fall to the ground.

Mr. HARDY. Along that line, Mr. Sickel, isn't it a fact that in the last 12 months all commodities have advanced in price, so that an increase of 17 per cent in the value of the total commerce would not represent that much of an increase in the volume if the commodities were the same?

Mr. SICKEL. That does not apply to the cereals, for the reason that cereals have fallen in price in the last six or nine months. Their tendency is downward.

Mr. HARDY. How about coal?

Mr. SICKEL. Coal has been fairly stationary. There has not been much change in the price in the last two years.

Mr. HARDY. The main articles of commerce you named are coal, wheat, corn, and oats. Does that apply to lumber also?

Mr. SICKEL. I would not say that that is true of lumber. I am not familiar enough with the record as to the number of tons of heavy timber from the Gulf, but my remarks apply very largely to coal, wheat, corn, and oats, which represent an enormous volume.

Mr. HARDY. It constitutes a large volume, but very little in the value of the export trade?

Mr. SICKEL. That is the point.

Mr. HARDY. Now, when you get an increase of 17 per cent in the value of corn, wheat, oats, and coal, that would not enter into it much?

Mr. SICKEL. The value of those four articles would not represent a great percentage of the total value of articles shipped from this country.

Mr. HARDY. So that if the other and more costly articles were going out during the year 1912, the probability is that the 17 per cent increase is more in dollars than it is in volume?

Mr. SICKEL. Yes; more in dollars than it would be in volume.

Mr. HARDY. So it is possible that the weight of your freight is no greater than it was 12 months ago?

Mr. SICKEL. You must not figure weight.

Mr. HARDY. I am not talking about space or weight.

Mr. SICKEL. There is a great difference between space and weight.

Mr. HARDY. Either one of them may not have increased, and yet the value of your exports increased 17 per cent?

Mr. SICKEL. The value of the exports, I assume, has increased 17 per cent; yes.

Mr. HARDY. And that may be largely owing to the increase in the price of the valuable commodities that you have?

Mr. SICKEL. That is not impossible; but, after all, the volume of the manufactured goods is not the thing that makes rates; it is the volume of the low-class freights.

Mr. HARDY. But what I am getting at is, that as a matter of fact this 17 per cent increase may not represent any more space than you had before?

Mr. SICKEL. On the high manufactured goods.

Mr. HARDY. It might not represent a bit more.

Mr. SICKEL. That is not impossible. I can not answer that.

Mr. HARDY. You do know the high manufactured goods have been going up in the last 12 months?

Mr. SICKEL. That has been the tendency of nearly everything except cereal products. Their tendency has been downward.

Mr. HARDY. I understand there is probably a lower price.

The CHAIRMAN. Would you say this, that the increase in the freight rates has only been in proportion to the increase in the volume of the corn, oats, wheat, and coal, and like products in our export trade?

Mr. SICKEL. Of course, I have no statistics at hand on that, but I would say offhand that the percentage of increase in freights is possibly greater than the increase in the volume, because the demand has been greater than the supply of tonnage to move it, and therefore you get rather an acute situation, and rates are apt to go up more rapidly when the demand far exceeds the supply of tonnage.

The CHAIRMAN. Just before taking recess we had up the subject of fighting ships, and the testimony with reference to the company organized for the purpose of fighting off competition. Now, do you think with that company organized for the express purpose of fighting any independent line that might seek to come into the trade, and with the Hamburg-American and those other lines back of it, an independent line or even a tramp ship would have the ghost of a show in the trade as an element of competition?

Mr. SICKEL. If the competitor came in properly equipped, with the right kind of tonnage and with financial resources, I do not think the fight would last very long.

The CHAIRMAN. But all the companies that are financially equipped like the Hamburg-American, the North German Lloyd, and the International Mercantile Marine, are all in these conferences in the different trades. It would only be in the event a new company would be organized that any such condition as that might be brought about so far as new capital is concerned. In other words, the only competition that could affect you at all would be what you call the tramp ship, ships handling the bulk cargo, and this company has been organized as an engine of defense against the tramp ships, so that they may not even annoy you or from time to time depress your rates by butting into your trade in an irregular way?

Mr. SICKEL. Of course, a fighting ship when doing its work is affecting the business of the lines that may be supporting that ship.

The CHAIRMAN. But it is taking care of the interests of the lines to be affected?

Mr. SICKEL. That is the primary idea of the thing.

The CHAIRMAN. And has it not proven in experience to be a very effective way of disposing of the tramp?

Mr. SICKEL. Well, to tell you the truth, I do not know many times that the Syndikats-Rhederei has been called upon to exercise its fighting abilities, except once to my knowledge, in the trade between the continent of Europe and Cuba and Mexico.

The CHAIRMAN. Well, when it was employed it was employed very effectively, wasn't it?

Mr. SICKEL. My recollection of that is the interests that were competing with the conference lines engaged in that trade finally admitted the man who wished for an entry into the trade, even though the fighting ship was on. I refer to Menzells, who made an effort to engage in that trade. The fighting ship was used, and he is in it to-day, working with the conference. That is a case where the fighting ship was not an effective tool.

The CHAIRMAN. Please state to the committee what relations the Hamburg-American has with the United Fruit Co.?

Mr. SICKEL. Do you refer to the United Fruit Co. as a shipper of produce—

The CHAIRMAN. Yes.

Mr. SICKEL. Or as a fruit carrier?

The CHAIRMAN. As a fruit carrier.

Mr. SICKEL. I gave it as a fruit carrier in my evidence—

The CHAIRMAN. Have you any other relations with them as a shipper of produce?

Mr. SICKEL. We have none.

The CHAIRMAN. Have you other than you have stated, as a fruit carrier?

Mr. SICKEL. As given in our evidence on Wednesday last, they name the same rates to the ports that we mutually touch by tacit agreement, although there is no written agreement or moral obligation that one shall maintain the rates of the other.

The CHAIRMAN. I do not care for you to go into that. Have you any arrangement with the United Fruit Co. as regards the European fruit trade?

Mr. SICKEL. That is, from the West Indies to Europe?

The CHAIRMAN. Yes.

Mr. SICKEL. We have none to my knowledge.

The CHAIRMAN. Or to South America, or Cuba, or Jamaica, or Colombia?

Mr. SICKEL. You mean from those countries to Europe?

The CHAIRMAN. Yes.

Mr. SICKEL. We have no understanding to my knowledge.

The CHAIRMAN. As I recall, you went over the matter of your relations with them in the trade between those countries and the United States the other day?

Mr. SICKEL. We covered that in our testimony on Wednesday.

The CHAIRMAN. Have you read Mr. Di Giorgio's testimony?

Mr. SICKEL. I have.

The CHAIRMAN. Do you concur in his statement with reference to the Hamburg-American and the United Fruit Co., and the efforts made by the United Fruit Co. to get the Hamburg-American to cancel their contract with the Atlantic Fruit & Steamship Co.?

Mr. SICKEL. Judge, if I were to attempt to answer that question now in a very few words, it would be like taking a page out of the middle of a book and trying to tell you what the story is. If you will give me 10 minutes, I think I can do it, and give you the relations between the three companies in the matter of the carriage of bananas. I think possibly I can give you a fairly good bird's-eye view of the situation. Are you agreeable to my doing that?

The CHAIRMAN. Certainly.

Mr. SICKEL. In my testimony of Wednesday last I gave a little outline of the history of our Atlas Line, running from the West Indies to New York. I stated that it was a small line, and we were developing it when the Royal Mail came in and competed with us, and we had a fight, and that fight was settled, and afterwards the United Fruit Co. began operating large passenger and freight ships. When we acquired the Atlas service from the English owners, we acquired with it a contract that they had with the United Fruit Co.

for the carriage of bananas from Central American, South American, and West Indian ports to New York. This freight contract was renewed from time to time until it expired at the end of 1911. The contract between the United Fruit Co. and ourselves for the carriage of their bananas was not renewed, because we could not come to an agreement as to the terms under which we would carry their fruit. The substance of our disagreement was this: In all our previous contracts we had had the right to substitute steamers in the service; that is, if a steamer was lost, we could put in another steamer of equal equipment suitable to the carriage of fruit, and that steamer would fulfill the contract, or if we desired to sell a steamer, we were privileged to put in another steamer of equal equipment and suitable to the carriage of fruit. The United Fruit Co. refused in any new contract to permit such a substitution, and because we were trading for a contract for the carriage of this fruit covering a period of 10 years, we could very clearly see that that would be a great restriction to the development of our line, because if we wanted to substitute new and improved steamers, we would have to operate them thereafter without the fruit. There were many other minor difference between us, but that was the one that really broke off our negotiations. Our negotiations looking toward the renewal of this contract covered a period of more than a year and a half; that is, I think it was in May, 1910, that we began negotiations for the renewal.

In May, 1911, it was seen that there was no possibility of our coming to agreement. The United Fruit Co. had only one competitor of any magnitude operating from the West Indies to the port of New York, which is where our steamers run to, and that was the Atlantic Fruit & Steamship Co., of which Mr. Joseph Di Giorgio is the president. Up to that time I had never met Mr. Di Giorgio, and seeing that it was impossible to come to a conclusion with the United Fruit Co., I went to Mr. Di Giorgio and asked him if he was willing to make a contract with us. I had a great difficulty in satisfying him that I was acting in good faith, he believing that I was merely trying to get a proposition from him in order to use it as a club over the United Fruit Co; but I told him very frankly that we could not come to conclusions with the United, and that I was open to trade with him fairly. I finally satisfied him on this, and on the 3d day of August, 1911, I closed a contract with him by which he took all the space suitable for the carriage of bananas in our Atlas Line steamers, and the contract was to be effective upon the expiration of the United Fruit Co. contract, which was on the 31st day of December, 1911. The contract that I made with Mr. Di Giorgio was to run for a period of five years, and that contract is in effect to-day. At the conclusion of our negotiations looking toward the closing of a contract for the Atlas service, Mr. Di Giorgio said to me that he would like to engage in the exportation of bananas from the West Indies direct to Europe. I told him that I had jurisdiction over only the United States service, and if a contract of that kind was to be made it would have to be made in Hamburg; and I suggested that he proceed to Hamburg, present my letter of introduction, and see if he could come to conclusions with them. He went abroad, and he did conclude a contract with our people. It was for two steamers, with the idea that we would build two more steamers, and if after

the four steamers were in operation the trade promised well we would consider building two more steamers. It may be necessary for me to state to you that all fruit that is carried from the West Indies to Europe must be taken in by refrigerator steamers. While Mr. Di Giorgio was negotiating with our people for this contract from the West Indies to Europe, he told our principals abroad that his company was about being reorganized, and asked would we not take a financial interest in it.

The carriage of fruit from the West Indies to New York is the most important item of freight the Atlas Line has. The people who had supplied the fruit for us before—the United Co.—had thrown us overboard. We had made an alliance with a smaller concern, and it was to our interest to maintain this smaller concern, so that they could produce fruits to make freights for us on our Atlas service. That naturally was the thought back of the minds of my principals when they took a financial interest with the Atlantic Fruit Co. The amount of the securities that they took was \$200,000 of bonds. The total bond issue was \$2,500,000, and, if I remember correctly, the capitalization of the Atlantic Co. was, stock and bonds, about \$11,000,000, so that our percentage of their securities was an extremely small one, and in no sense a control. It was done almost entirely to encourage them to build up the business.

Mr. Di Giorgio returned from Europe, if I remember correctly, about October, 1911. Mr. Cecil Lindo, of Costa Rico, who is the largest producer of bananas in that Republic, outside of possibly the United Co. themselves, was dissatisfied with his treatment by the United Fruit Co.

Mr. Lindo gave Mr. Di Giorgio an option on his property. At the same time Mr. Di Giorgio secured options on certain banana plantations located in Santa Marta, Colombia; with the idea of getting some banker to form a new and larger company that would embrace the assets of the then Atlantic Fruit & Steamship Co. and these new properties on which we had an option. He appealed to us to endeavor to find some one who would finance it for him. I introduced him to Mr. Paul Warberg, of Kuhn, Loeb & Co., who was extremely indifferent in the matter and showed very little if any inclination to go on with the thing, because he was not interested. Finally Mr. Di Giorgio found another banking concern, Hallgarten & Co., who undertook to finance this proposition for him. About the time that they were consummating the deal Mr. Lindo either could not or would not exercise his option. So the whole refinancing fell through. It was to the interest of our principals to maintain this competition existing against the United Fruit Co., as they were to make freights for us, and I appealed to our people to know if they would not lend some assistance to the Atlantic—if the deal could not be carried out in its entirety, at least partially, by saving the Santa Marta properties to the Atlantic. Our people at one time were willing and did offer to contribute to any fund made up that would assist them in holding on to these options, covering these properties in Santa Marta, but that deal could not be carried out, and our people finally got to the point where they felt it would be inadvisable to throw what looked like good money after bad, and abandoned any further efforts looking toward saving the company from bankruptcy, because the business had grown quite bad and there was more or less competition with the United Fruit Co. The two companies were fighting, and our

investment and our contract looked in great jeopardy. The culmination of all these financial difficulties came last summer.

Without my knowledge, the manager of the United Fruit Co.—at least, I think it was he—approached our principals in Hamburg. What arguments he used or what he said, I do not know. The first information that I had that there was any attempt at a conference between my principals and the United Fruit Co. principals was that I got a cable from my principals that a conference would be held in London in September, and for me to come over, as I was more or less familiar with the situation and I could probably be of some service in any negotiations that might take place. I was further requested to bring Mr. Di Giorgio with me, if I could induce him to go; and he consented to go, but he was no part of the conference in London.

Up to that time I had never met Mr. Preston, the president of the United Fruit Co., meeting him for the first time in London. He stated to my principals that it was the common report that the Atlantic Co. had about used themselves up financially, were approaching bankruptcy; that they had not fulfilled their freight contract with us, and that he was prepared to give us fruit for our Atlas steamers for a period of 15 years, and would make a similar contract for a service from the West Indies to Europe. We told Mr. Preston that while we knew of the reports that existed in regard to the financial condition of the Atlantic Co., yet, nevertheless, the Atlantic Co. had fulfilled their contract with us for the carriage of bananas. Aside from the moral feature, we had no legal grounds for breaking the contract; but, nevertheless, Mr. Preston's proposition had a certain amount of attraction for us, because the concern we had hoped would supply us with fruit indefinitely was in a very shaky condition. We had nobody else to go to, and we did entertain his proposition very seriously. Mr. Preston said that if we wanted to accept his proposition it was necessary for us to go to Mr. Di Giorgio and arrange the matter. We told Mr. Di Giorgio very frankly what the situation was, and we offered him \$150,000 to be released from the contract, but he refused.

In Mr. Di Giorgio's testimony he stated that there was a division of opinion among our principals when they met in London, but this is not a fact. We, of course, discussed the matter pro and con as to what was best to do for our company, and the result of it was we offered him that amount of money.

The CHAIRMAN. Right at that point. Was not Mr. Preston himself proposing to furnish money necessary to cancel that contract?

Mr. SICKEL. Mr. Preston did not offer that money; it was our money that we were offering to Mr. Di Giorgio.

The CHAIRMAN. Was he offering to reimburse you if you would get his consent to release you from that contract?

Mr. SICKEL. I have absolutely nothing to base the correctness of that on. If he did it was not to my knowledge.

We met the United Fruit officials the next morning and told them the result of that interview, and the conference lasted only a few minutes, because we could not release ourselves from that contract. In the meantime Mr. Di Giorgio managed to interest some other financial people, who took hold of the company and rehabilitated it,

and we had many exchanges of securities in the old company for the new. We came in on an arrangement not exactly the same in the exchange of securities that others came in, but that was simply a matter of negotiation between us. He has gotten on his feet again and he continues to fulfill our contract, and, as far as I know, is in very good shape financially.

Mr. HARDY. Just one question along there. Mr. Di Giorgio, as I understand it, stated that your \$200,000 bonds, with some 95 per cent of the other holders of bonds, had agreed to surrender those bonds and take preferred stock, as I understand it?

Mr. SICKEL. Yes.

Mr. HARDY. But that your company declined to do that and three others bought your bonds.

Mr. SICKEL. When the question of the reorganization came about, we thought it was an unfair proposition to make the holders of the old mortgage bonds take a junior security in the new organization, and we contended that we should have a debenture bond for the mortgage bond, and we held out very strongly on that, and the people who were underwriting the new concern finally agreed to it.

Mr. HARDY. You read his testimony about four of them getting under your bonds or taking them, as I understand it?

Mr. SICKEL. Yes, sir. Were there four men? I do not know who the four were, except Mr. di Giorgio has told me that he was one of them.

Mr. HARDY. What did they do—take up your bonds or what?

Mr. SICKEL. Well, that exchange is proceeding now. What was agreed was that we would exchange our mortgage bonds for preferred stock, like all the other bondholders would do, and then there were these four who would agree later to an exchange of our preferred stock for the debenture bonds.

Mr. HARDY. I do not know that it is essential, but I have not that clear in my mind.

Mr. SICKEL. I do not think that feature is very relevant to the testimony here—that merely when exchanges of old securities were being made for new we drove what, we might say, a fairly good bargain.

Mr. HARDY. In other words, you were not prepared to sacrifice anything of that \$200,000?

Mr. SICKEL. We aimed not to make it a junior security, and we succeeded in our contention.

Now, gentlemen, that is briefly the history of the relations of the two banana concerns as they relate to us. All our efforts looking toward sustaining the Atlantic Co. were with the idea that if we did not have a competition in bananas we would cease to carry bananas, which was a very important article of freight with us, particularly with our Atlas service.

Mr. HARDY. In other words, you did not want to be at the beck and call of the United Fruit Co. alone?

Mr. SICKEL. If the Atlantic Co. had disappeared, we would have nobody to supply us with bananas, because, while there is one small concern, called the Cuneo, operating to New York, they are very small, and they could not give us a sufficient quantity of bananas, and they operate only from Jamaica, and our steamers run not only to Jamaica but to Central American ports.

Mr. HUMPHREY. As I understand the transaction, it is this: You were afraid this company which you have mentioned would fail, and the United Fruit Co. offered to enter into a contract with you for a period of years. You had a conference about it and you offered to pay this gentleman, whose name I can not pronounce—

Mr. SICKEL. Di Giorgio.

Mr. HUMPHREY. \$150,000 to be released from the contract you had with him, which he refused to accept?

Mr. SICKEL. Yes.

Mr. HUMPHREY. And that ended the transaction?

Mr. SICKEL. Then we continued on with him, and he has weathered all of his storms.

Mr. HUMPHREY. And the contract is still in existence?

Mr. SICKEL. And the contract is still in existence, and the only reason that there was any allurements to us in offering \$150,000 to be released from that contract was that we were so fearful that he would go into bankruptcy and our contract would be no good, and here was the United Fruit Co. offering to give us business for 15 years, and we knew that they could deliver the goods. However, all the negotiations fell to the ground, the Atlantic survived, and the thing is now running along very happily.

Mr. HUMPHREY. From your standpoint, you were trying to take care of your own interests?

Mr. SICKEL. Our interests are entirely for self—to protect ourselves. Of course, Mr. Di Giorgio spoke rather kindly of me. That came through the period when his company was hanging in the balance, during this period of the underwriting, which afterwards failed, and I had used all of my efforts to save his company. Naturally it was not so much for Mr. Di Giorgio as it was for the Hamburg-American, but he appreciated my efforts, and that is why he gave expression to those thoughts.

The CHAIRMAN. Our only purpose in suggesting that you make an explanation was to ascertain whether or not Mr. Di Giorgio had done the United Fruit Co. any injustice in what he had stated before the committee, and after hearing you I can not see that he did.

Mr. SICKEL. Gentlemen, I have given you the facts as far as they have come within my knowledge.

Mr. HUMPHREY. Of all these conversations you have related as taking place, you were present and heard them. You said several times what Mr. Preston said to your principal. You were present at the time?

Mr. SICKEL. You refer to the London conference?

Mr. HUMPHREY. Yes.

Mr. SICKEL. Yes; I was present.

Mr. HUMPHREY. I assumed that you were.

Mr. SICKEL. I was, but Mr. Di Giorgio was not. He was in London, but not in any of the conferences.

Mr. POST. He so stated.

Mr. HARDY. He said, however, that he saw Mr. Preston coming from that conference, and he knew he was engaged in it. I suppose that is correct, as it seems to agree with your testimony?

Mr. SICKEL. Yes.

The CHAIRMAN. Does the Hamburg-American own the Scandinavian-American Line?

Mr. SICKEL. As far as I know they have absolutely no interest in it—that is, financially—but they work in cooperation with it, just as they work in cooperation with a great many other lines.

The CHAIRMAN. But you have no financial interest in them directly or indirectly?

Mr. SICKEL. Not to my knowledge.

The CHAIRMAN. Now, about the Wilson Line; state whether or not they own them—directly or indirectly?

Mr. SICKEL. My remarks apply equally to them.

The CHAIRMAN. Now, about the Cosmopolitan Line?

Mr. SICKEL. My remarks apply to them also.

The CHAIRMAN. And the Kosmos?

Mr. SICKEL. As far as I know we have no financial interest in the Kosmos Line, and the reason our name is so often associated with theirs is because we run a joint service with them from the Continent of Europe around the Horn, up to San Francisco, touching at the prominent west-coast ports of the two Americas. But as far as I know we have no financial interest in their organization.

The CHAIRMAN. Do you know if any of the directors of the Hamburg-American Line are on the board of the Kosmos Line and vice versa?

Mr. SICKEL. I am not sure, Judge, but I think Mr. Ballin, our director general, is a member of the Kosmos board, but I am not absolutely sure about that.

The CHAIRMAN. Is that true also of the Scandinavian-American and the Wilson Lines?

Mr. SICKEL. No, sir.

The CHAIRMAN. There is no common directorate?

Mr. SICKEL. No interlocking of directorates; no.

The CHAIRMAN. Does the Hamburg-American own directly or indirectly the United States Shipping Co.?

Mr. SICKEL. The United States Shipping Co. is a company operating chartered ships from the United States to various parts of the world, and it is a subsidiary of Funch, Edye & Co., and I have an impression, Judge, if you will pardon it, that you have in mind the United Shipping Co. Am I not correct?

The CHAIRMAN. The United States Shipping Co. You say it is a subsidiary of Funch, Edye & Co.?

Mr. SICKEL. Yes; and we have no interest in the United States Shipping Co.

The CHAIRMAN. Funch, Edye & Co. are the agents of what lines? The North German Lloyd—

Mr. SICKEL. Oh, no.

The CHAIRMAN. The Hamburg-American—

Mr. SICKEL. They are the freight agents at New York for the Hamburg-American Line; they are freight agents for the Holland-American Line; they are the freight agents for the Scandinavian-American Line; for the Hansa Line, the German-Australian Line, and maybe more, but I can not recollect them right at the moment.

The CHAIRMAN. And this is a subsidiary company of theirs?

Mr. SICKEL. The United States Shipping Co. is a subsidiary of Funch, Edye & Co.

The CHAIRMAN. It represents the Hamburg-American in many ports in this country, does it not?

Mr. SICKEL. Not many. It represents us only in one; that is the Virginia port—Newport News and Norfolk.

The CHAIRMAN. Is the Hamburg-American interested in any lines operated between Europe and the Gulf ports—Galveston, New Orleans, Mobile?

Mr. SICKEL. We are not.

The CHAIRMAN. Do you know who controls the Harrison Line?

Mr. SICKEL. No; I do not, sir. That is an English corporation, and I am not so familiar with the English lines as I am with the continental.

The CHAIRMAN. Do you know who controls the Head Line, operating from New Orleans and Galveston?

Mr. SICKEL. It is controlled by a Belfast concern. I can not remember now the name of the firm.

The CHAIRMAN. Do you know who controls the Gans Steamship Co. that operates from New York to Rotterdam?

Mr. SICKEL. I do not know, except that Mr. Gans himself is the principal stockholder, I think; but we have no financial interest with them.

The CHAIRMAN. Do you know of any other company that has?

Mr. SICKEL. No, sir; I do not.

The CHAIRMAN. Do you know who owns or controls the Strachan Line, operating from the Gulf ports to Europe?

Mr. SICKEL. The Strachan Line does not operate from Gulf ports to Europe, but from South Atlantic ports to Europe.

The CHAIRMAN. Savannah?

Mr. SICKEL. Such as Savannah, Charleston, Brunswick, and ports along in that neighborhood. They do not own any steamers to my knowledge. They charter and load the steamers on the berth.

The CHAIRMAN. Well, who controls the lines?

Mr. SICKEL. Strachan & Co., of Savannah, or Strachan & Sons; I do not remember which.

Mr. POST. Mr. Sickel, some time ago J. P. Morgan & Co. attempted to form a combination of these transportation lines; do you know anything about that?

Mr. SICKEL. That occurred in 1900 or 1901, and the result of his efforts is the International Mercantile Marine Co.

The CHAIRMAN. The record shows the history of that company fully. If there is not anything else, Mr. Sickel may be excused.

Mr. WILSON. There is one matter I would like to inquire of Mr. Sickel about. Do you know of the existence of an association known as the International Shipping Federation?

Mr. SICKEL. No, sir; I do not know of any. What is it; is it composed of steamship people?

Mr. WILSON. It is alleged to be composed of steamship people, principally belonging to Great Britain and the Continent of Europe, organized for the purpose of controlling the wage conditions of the various steamship lines.

Mr. SICKEL. It may possibly be that such a thing exists, but I do not know of it.

Mr. Wilson. I have in my possession what purports to be a constitution of the International Shipping Federation, and I find in that document a statement—this federation being composed of associated federations of the various companies—in paragraph 11, which provides:

Each associated federation shall, as a condition of membership with the I. S. F., or of continuing membership, as the case may be, maintain to the satisfaction of the general council an organization for supplying or directing the labor required to work regular lines or vessels entered in such associated federation when detained by strikes in a part of the country to which they belong.

Paragraph 16-D provides:

The federations associated with the I. S. F. will lodge with the latter a standard tariff in force in the port or ports controlled by such federation of the rates of wages actually paid for working during ordinary hours and overtime. This standard tariff so deposited will only be considered as accepted and agreed upon if approved by the I. S. F.

E. Any owner, in making contracts with stevedores, as well as any agent or broker doing the same, will stipulate as being a part of the contract that the stevedore will faithfully obey and comply with the standard rate of wages agreed upon by the associated federation, and any breach or violation of this stipulation will entitle the owner, agent, or broker to the cancellation of the said contract or engagement.

Have you any information concerning an association of that kind?

Mr. Sickel. I have never heard of it. It looks to me as if it is an association formed to deal with the labor question on the ships. At least, I so judge; but I never heard of it.

Mr. Wilson. If an association of this kind does exist, Mr. Chairman, I assume that if the other associations composing the same exist for the purpose of maintaining the highest rates obtainable and pay this association for maintaining the lowest possible wages, it would naturally give to foreign shipping a very great advantage over American shipping.

The Chairman. I understand Mr. Sickel to say he has no knowledge of its existence.

Mr. Sickel. I can not discuss it, because I do not know of it.

Mr. Chairman, there were two or three little matters that you asked me to clear up in my evidence on Wednesday last, and some of those I am prepared in a very few minutes to put into the record, if it is agreeable to you.

The Chairman. Very well; you may proceed.

Mr. Sickel. You asked me for the names of the lines that compose the joint direct service between New York and West African ports. Those in the German group are: The Woermann Line, Hamburg-American Line (African service), and Hamburg-Bremen-Africa Line. In the English group the lines are: The British & African Steam Navigation Co., African Steamship Co., Elder Lines (Ltd.), and Elder, Dempster & Co. (Ltd.).

I was also asked if the handling of this African business in our office in New York indicated if there was any rebate connected with it. On investigation I find that there is nothing in the handling of the business that would indicate there is a rebate system connected with it, but I have asked my principals this question and have also asked them for the African agreement itself, which is in accordance with your request.

You also asked me if there was any rebate system connected with the freight rates from Italy. There is nothing in the handling of the business in our office that would indicate that there is, but I have asked our principals to make me perfectly clear on this, and as soon as those advices are received I will put them before you.

You also asked me if the Fabre Line is a part of the eastbound Italian freight agreement. They are not a part of the agreement. They rarely touch Italian ports, but whenever they do they generally adhere to the rates of so-called conference lines.

The CHAIRMAN. We are very much obliged to you for your statement which clears up those points.

We will now hear Mr. Barnes, of Duluth. While this is not just in order, we had advice that Mr. Barnes was in New York and would like to appear before the committee at some time before our hearings closed, and it would be a very great convenience to him if he could stop over on his way home, rather than to return from Duluth at some later period. We consented that he be heard now.

TESTIMONY OF MR. JULIUS H. BARNES, CHAIRMAN TRAFFIC COMMISSION, DULUTH CHAMBER OF COMMERCE, DULUTH, MINN.

The witness was duly sworn by the chairman.

The CHAIRMAN. Will you please give the committee your name and address and the business in which you are engaged?

Mr. BARNES. Julius H. Barnes. I am a grain exporter at Duluth, Minn., president of the Ames-Brooks Co. I am also chairman of the traffic commission of the Chamber of Commerce at Duluth, and have been for three years. In that capacity of chairman I have brought several complaints before the Interstate Commerce Commission, the most important being a complaint against the present situation on package freight on the Lakes controlled by the railroads; and that case, although argued over a year ago, is still awaiting decision. The decision, I presume, has been delayed by the additional supplementary legislation which was to give the commission enlarged power of control over the water carriers. We anticipate, therefore, that the decision, when it does come, will probably clear up to a large extent the attitude of the Federal authorities with regard to railroad-owned steamships, on the Lakes at least.

We feel that on the Lakes the policy of the Government in improving its waterways has been thoroughly justified; in fact, I think the statement shows that some \$100,000,000 has been spent on the Great Lakes in all its channels and harbors to date; and yet we feel that there is a saving on Lake Superior commerce alone each year of three times that. We do feel that we are not getting the full benefit of the conditions on the Lakes—the cheap water carriage created by the Federal expenditures—because of the present situation with regard to boats on the Lakes. Being at Duluth, the farthest western point of cheap deep-water navigation, we are perhaps more interested than any other city on the Lakes in the study of this question, and we have arrived at some conclusions that I would like to put before you for your study to see if additional Federal legislation or action is not needed to help us and the country west of us to get the benefit of the best cheap transportation in the world. Along the

line of economy of lake transportation, I just want to read into the record a few figures to put this definitely before you.

The season rate per ton on ore from the head of the Lakes to Lake Erie is 40 cents per ton by steamer. The rail rates from the head of the Lakes to Lake Erie ports range from \$3.75 to \$4.50 per ton, a saving of over \$3 a ton on ore.

Mr. HUMPHREY. Would it disturb you if I interrupt? Just at that point, what proportion of the ore is carried by railroad and what by boat?

Mr. BARNES. Ore is carried largely by independent operators. I want to point out to you the difference between grain and ore and coal, which move largely in independent freighters, and package freight, which, because of its nature and the nature of the boat required to transport it, is transported entirely by railroad-owned steamers.

The volume of ore through the Soo Canal this year was 46,000,000 tons, representing a saving by water transportation of \$162,000,000 in transportation costs for this one season.

Mr. HUMPHREY. I do not want to interrupt you unnecessarily, but I am especially interested in that because I am on the Rivers and Harbors Committee. How do you reach the conclusion that that much has been saved?

Mr. BARNES. That much more would have been required to transport the same amount of ore by rail to the same destination.

Mr. HUMPHREY. At the price at which you gave?

Mr. BARNES. Yes. Even those rail rates which I quote are claimed by the railroads to be unduly low because of water competition.

The CHAIRMAN. And if you did not have the water competition they would be much higher?

Mr. BARNES. Yes.

Mr. HUMPHREY. As a matter of fact, is there any of that ore shipped by rail?

Mr. BARNES. No; because the difference is too absurd.

Mr. WILSON. The difference is so much that it all goes by water, so that actually there is no transportation by rail, and they might just as well make their rates \$50 as \$3.50, and there would be just that much greater saving.

Mr. BARNES. There has been a little ore shipped by rail in times of scarcity before the opening of navigation, but, as you say, that is largely academic.

The rate on grain for this season has averaged about 1½ cents a bushel. The rail rate on grain between Duluth and Buffalo is 20½ cents a hundred, or 12.3 cents per bushel, a saving on grain alone of 11 cents per bushel on the tonnage through the Soo Canal this year, amounting to 243,100,000 bushels. That is a rail saving in grain transportation costs of \$27,000,000.

Mr. HUMPHREY. There is considerable grain carried by rail?

Mr. BARNES. There is some grain carried by rail. Westbound the rate on coal between Buffalo and Duluth has been about 30 to 35 cents per ton. The rail rate for the same haul is \$3.15 per ton, a saving on this one item westbound, through the Soo, for 1912, on 14,931,000 tons, of about \$41,000,000.

This makes a total saving on three articles alone of \$230,000,000 for the one season of 1912.

Our western country, I am satisfied, would never have developed as it has without the Great Lakes waterway. The western grain country never could have competed with the cheap Hindoo labor, the cheap Russian labor, and the cheap Italian labor of the Argentine without this very economical route of reaching the market. So that the policy of the Federal Government in creating that waterway has had more to do than any other factor in developing the western part of our country.

Mr. HUMPHREY. Approximately, what is the distance between Duluth and Buffalo?

Mr. BARNES. About 2,000 miles by water. But when we consider the situation of the transportation of manufactured articles of general merchandise, of buckets and bells, casks and sacks, and all the different forms that manufactured articles take we find a very different situation. In the first place, it takes a different type of steamer. It must have between decks, which the bulk freighters do not have, and the very fact that they are so constructed and have between decks and compartments makes them disadvantageous to carry the bulk freights, which must be loaded very fast and unloaded very fast, with as little interruption by compartments and divisions as possible. This, combined with the fact that most of the general merchandise traffic originates on railroads at some distance from the carrier by water route, has given the railroads a greater control of this type of steamer and this class of carriage on the Lakes. I think that you are all well aware of the fact, which is a fact, that there is not one independent carrier of tonnage freight on the Lakes to-day.

The CHAIRMAN. You mean to say by that that they are all railroad owned and controlled?

Mr. BARNES. All railroad owned and controlled.

The CHAIRMAN. What lines are engaged in the carriage of package freight on the Lakes?

Mr. BARNES. On Lake Superior we have the Western Transit Co., owned by the New York Central; we have the Erie & Western Transit Co., known as the Anchor Line, owned by the Pennsylvania Railroad; we have the Northern Navigation Co., owned by the Grand Trunk Railroad; we have the Mutual Steamship Co., owned jointly, one-quarter interest by the New York Central, one-quarter by the Erie Railroad, one-quarter by the Lehigh Valley, and one-quarter by the Lackawanna.

The effect of this and the gradual absorption of this type of carrier by the railroad owners is shown in this way: In general freights, that which any independent carrier can call for and contract for and load and unload, such as grain, ore, and coal, the deepening of the channels and enlargement of the locks, has shown an improved type of steamer of large carrying capacity, with a relatively lower cost of operation. This has been reflected in the gradual lowering scale of water-carrying rates on those commodities. Improved machinery has been installed at both ends of the trip for handling those commodities, which saves the boats time and saves cost of loading and unloading. But in the package-freight line the absorption of these steamers by the railroads has been followed by a gradual advance in rates. They are unloading and loading merchandise on the Lakes

the same to-day as they did 40 years ago. There has absolutely nothing been done in the way of installing mechanical devices or anything to cheapen the transshipping of package freight. It has been to the interest of the railroads to maintain the old-fashioned gangway style of steamers, in which freight must be taken on and off over the side of the boat on trucks. The small derrick arranged for some classes of freight, such as flour and mill stuffs, which would lift the freight directly from the cargo hold out on the docks, would cheapen the transshipping charge, but as long as it originates on the railroads and is controlled by them it is in their power to say to whom they will give it, and they will not share it with any individual carrier that might offer, and they have controlled its movements.

Mr. HUMPHREY. The grain rates from Buffalo to Duluth by steamers you have mentioned. Give us a few commodities so we may have some idea.

Mr. BARNES. Flour and mill stuff is the great commodity moving eastbound. That rate, say, from Minneapolis, which is a great source of origin, to New York is to-day, lake and rail, 23 cents a hundred, and by rail 25 cents. The theory has been, and I think we are right, that the railroads have tried so to control Lake transportation on these commodities that any talk of grain or ore or coal competition is foolish, the rate being perhaps a difference of one-tenth the rate charged by rail. In general, their efforts have been to so advance the Lake tariff and to so maintain the rail tariff that in order to shorten the distance the preference would be to go all rail instead of moving lake and rail at all.

Mr. WILSON. Do you recall the rail rate from Duluth to Buffalo or the water rate?

Mr. BARNES. Yes.

Mr. WILSON. What is the rate?

Mr. BARNES. The rate from Duluth to New York is 18 cents on flour. Flour moves from Duluth to New York by rail and water while the Lakes are open and are navigable. The difference is too wide there. But only 150 miles away from Duluth, they have been so nearly equalled, the two levels of water carriage and rail, as to be just about an even thing, and many prefer to use all rail rather than rail and water.

Mr. WILSON. What is the rate from Duluth to Buffalo?

Mr. BARNES. The rate from Duluth to Buffalo on flour is 12 cents, I think.

Mr. HARDY. And they have gotten this rate 150 miles away from Duluth, by rail to New York, to be just about the same with the rate part rail and part water by Duluth?

Mr. BARNES. Yes; that has been their effort to do it.

Mr. HARDY. How do they do it?

Mr. BARNES. They have been able to do it in this way: First, they control the origin of the traffic. It must be moved by rail from Minneapolis to Duluth. Each railroad has, I think, refused to deliver at Duluth to any steamers except steamers owned by themselves or affiliated trunk lines. Now, the Interstate Commerce Commission has been given authority to prescribe proportional rates and require delivery of that freight to any carrier, but just as long as it requires a peculiar type of steamer, which costs more money to build,

and it is made as difficult as possible for the steamer to get that particular type of freight at each end of the trip which the railroads can still do, there will be no independent carriers for that freight.

Mr. HARDY. What I am speaking of is this: If independent carriers had the same proportion of the total rate that the railroad boats have, then the freight rate, from the initial point 150 miles in the interior, would still be bound to be larger by rail than by water?

Mr. BARNES. Yes.

Mr. HARDY. I want to know what is the process by which they bring these two rates together, the rail route and the rail-and-water route.

Mr. BARNES. The process by which they have done it is this: In 1890, when the trunk lines (I am speaking of the eastern trunk lines, the New York Central, the Erie, the Lackawanna, and the Lehigh) reached only to Buffalo, and had no interest in the lines to the west of Buffalo, they operated steamer lines up to Buffalo which fed the freight up to Buffalo. So it was to their sole interest at that time to maintain the Lake lines in such a way as to attract all tonnage possible to be delivered at Buffalo. Since the change in 1890 on the Lakes, Chicago, and the West, their policy has changed. Instead of trying to feed the Lake lines all the tonnage possible to deliver at Buffalo, they try to divert to the central rail lines. That is done generally by the process of advancing the rate on the Lakes. In 1890 the Lake rate on flour was 20 and the rail 25, and all flour moved lake and rail. They have since advanced the Lake rate until the difference to-day is between 23 and 25, instead of 20 and 25, and that is just the dividing line where they are giving just enough to the Lakes to make a bluff at water transportation. If it was necessary, they would raise it to 24 as against 25, and they can do that, in my judgment.

Mr. HARDY. Of that 23 cents, which is Lake and rail combined, how much goes to the railroad?

Mr. BARNES. The Great Western gets 5 cents. I think the road just east of Buffalo gets 11, and I think there was an attempt made last year to operate a line of steamers on the lake at a less proportion for the lake carryings than this line of steamers were taking, and it was defeated because the rail lines would not take it from them at Buffalo at the same rate as they would for their own steamers.

Mr. HARDY. That is the point that I wish to bring out.

Mr. BARNES. That is the policy. They will not take grain at the same rate from Buffalo to New York when delivered to them ex-rail.

Mr. HARDY. In other words, if they have any connection with the lake route from Buffalo going west, they will haul it for the balance of the route, Buffalo to New York, much cheaper than for one of these independent lake routes?

Mr. BARNES. Yes; that is the point exactly. I think now that power has been given at last to the Interstate Commerce Commission in the Panama bill that can be corrected, and they have the power to see that it is corrected.

Mr. HARDY. I wish you would discuss that. You probably could make it plainer by a statement than it could be brought out by questions.

Mr. BARNES. My point is this, briefly. My idea (which will not appeal to you at first, but I think will grow on you), is that the time

has come when it is necessary to supplement the deeper channels which you build, the larger locks which you build, and the canals which you build, and the lighthouses which you maintain, by making it absolutely certain that the independent carrier to-day would be able to get the facilities for water business.

Mr. HARDY. And on exactly equal terms with railroad-owned boats?

Mr. BARNES. Yes.

Mr. HUMPHREY. We have the Panama Canal provision in reference to that. Does not that carry this provision?

Mr. BARNES. I think it does, so far as you have given the Interstate Commerce Commission authority to require the railroad to share with an independent carrier on the same terms as it does with its own water lines, although it will take time to make the complaint and get a decision. But the iron and ore and coal people should insist on this before the Interstate Commerce Commission, in cheapening the cost from the point of production to the point of consumption, and they have done it at Duluth.

They have electrically equipped coal docks that will take coal out of a boat and carry it across and deliver it right onto the waiting railroad car, for distribution, at a cost of not more than 3 or 4 cents per ton, and it often costs less than that. This method handles freight cheaply at both ends, but not package freights, for which we are paying the same as we did 40 years ago, a transshipping charge of 30, or 40, or 50, or even 60 cents on merchandise per ton at each end.

Mr. HUMPHREY. How about your terminal facilities? Are those under the control of the railroad?

Mr. BARNES. Ours are; yes, sir.

Mr. WILSON. What would you suggest as a means of remedying that?

Mr. BARNES. This is what I would suggest: I think the Government should build and lease and operate on the Lakes proper modern terminals for package freight. I do not believe the railroads will ever do it. I do not believe individual enterprise can do it as long as the present conditions exist.

Mr. WILSON. Do you say "terminals?"

Mr. BARNES. Terminals.

Mr. HUMPHREY. Why does not the city of Duluth provide terminals?

Mr. BARNES. Because it takes uniform action at each end to give the full benefit.

Mr. HUMPHREY. I think my view is that those cities ought to provide their own terminals. I see no excuse for not doing it.

Mr. BARNES. Let me elaborate that idea just a little. Duluth is a city of 80,000 people. You look at the map, as you probably have, and wondered that at the farthest western point in this continent with the deep-water navigation, we have not a big city, and why? Because a hundred miles from Duluth there is a political boundary line, and it is Canadian patriotism that has built Canadian cities and Canadian railroads and Canadian ports. Under natural conditions there should not have been any Port William and Port Arthur, and most of the growth of Winnipeg should have been at the western end of Lake Superior. The Canadian Government is paternalistic to a

marvelous degree, and they are going to build scientific terminals, and take away from us what northwestern Canada trade we have to-day.

Mr. HUMPHREY. Nobody realizes that any more than I do. We are up against that proposition, but we are not waiting for the Government to do it. We are building facilities ourselves, which you can do, too.

Mr. BARNES. The cost, when you consider our city has only 80,000 people, is a big job, and particularly when its needs be complicated by similar points on the lake. Only last week we had in Duluth a commissioner appointed by the Province of Saskatchewan to investigate transportation costs, showing that the farmers of Saskatchewan could not market their grain in the world markets abroad and have anything left in competition with this cheaper labor in the other wheat field of the world, unless their Government made them a very big saving in transportation costs. They are going to investigate that and are going to make a saving in relation to crude grain and in manufacturing products, and we are going to have that competition on the north of us on those Great Lakes. The Canadian has already taken steps to enlarge the Welland Canal around Niagara, and they are going to develop the St. Lawrence route until they take our trade away from us, unless we meet them with the same methods. We must, to cheapen the transshipping cost on those Great Lakes; it is the only thing that will save us.

Mr. STEVENS. Mr. Barnes will you give in some detail what you have in mind when you say "terminal facilities"?

Mr. BARNES. As it is now every western railroad has its own unloading dock. A packing trader comes into Duluth with a cargo for miscellaneous distribution. It spends three or four days, a large part of that time shifting from one terminal dock to another. It keeps its gangs of men idle during that shifting. It is expensive; it takes time, and a boat's time is worth money. I think a scientific terminal should allow a boat to come to Duluth and unload and load in the same berth without any shifting or loss of time. The terminal ought to be equipped with electrical unloading apparatus. It ought to handle the freight out of the boat for one-fourth what the present charge is. I believe if the proper terminal at the eastern end of Lake Erie and the western end of Lake Superior could make saving enough in the average charges on general merchandise on and off a boat to pay the entire return to the boat—just the saving alone in handling charges. There should be no such thing as competition between that lake route and the railroads.

Mr. HUMPHREY. Did I understand you correctly to say that Duluth has no city docks and no public dock?

Mr. BARNES. None at all.

Mr. HUMPHREY. If I had known that I think I would have been hesitating about having appropriated any more money to improve the channels in the lake, as we did.

Mr. BARNES. We gave away our water front years ago.

Mr. HUMPHREY. You ought to get it back.

Mr. HARDY. How about the other lake cities?

Mr. BARNES. I think the most of them are in the same position.

The CHAIRMAN. The railroads have obtained possession of those docks and the loading and unloading facilities, and it is your opinion that Congress may by legislation prohibit them from discriminating as between the railroad-owned boats and the independent boats?

Mr. BARNES. That would correct part of it.

Mr. HUMPHREY. That would correct part of it.

The CHAIRMAN. And there must be better facilities for handling package freight?

Mr. HUMPHREY. They still have a monopoly according to what he says, because they have no way to get into the boats.

The CHAIRMAN. They might increase the facilities for handling package freight; they might increase the water rate so that there would be no real competition between rail and water then, would there not?

Mr. BARNES. There might.

The CHAIRMAN. Yes. Is there a very large movement of package freight?

Mr. BARNES. No.

The CHAIRMAN. Do you think that there would be a large increase in the movement of package freight by water?

Mr. BARNES. I certainly do. The total amount last year through the Soo of general merchandise was 1,600,000 tons, out of 72,000,000 tons of all kinds that went through the Soo. I do not believe that 1,600,000 tons represents by any means the merchandise that can be moved more cheaply by water than by any railroad route from the Atlantic seaboard to the West, nor anything like it. I do not believe it represents 10 per cent of it.

The CHAIRMAN. What do you think it ought to be?

Mr. BARNES. Ten times that.

The CHAIRMAN. Ten times?

Mr. BARNES. Yes.

Mr. HUMPHREY. Of course you recognize the fact that it is impossible to carry freight on the railroads over that route as cheap as you can get it carried by water?

Mr. BARNES. Yes. I do not think they should be required to. It would be nonsense to talk of competition between such a water route, with a thousand miles of deep water leading directly in the path of commerce into the heart of the continent.

Mr. HARDY. At present has the Interstate Commerce Commission authority to regulate and fix those terminal charges?

Mr. BARNES. Yes.

Mr. HARDY. For these operations?

Mr. BARNES. I think they have. I think they have a right to take that into consideration in fixing a rate which should include that if the steamer is bound to an interior destination.

Mr. HARDY. So that if the railroads were allowed to make those terminal charges just what they thought proper, and they owned their own boats, it would not make any difference to them, as they owned the whole thing, what the terminal charges were in the estimate between the two?

Mr. BARNES. No.

Mr. HARDY. So that an independent company could not pay the terminal charges and live?

Mr. BARNES. No.

Mr. HARDY. While they could, and yet they would be treated the same as to the proportion of transportation.

Mr. BARNES. Yes. Apparently the Lakes are there; anybody can build a boat and use them, and they are doing that in grain and ore and coal.

The CHAIRMAN. Have you a case pending before the Interstate Commerce Commission now in which you complain of the expense of handling package freight?

Mr. BARNES. No; it does not touch on package freight or transshipping charge at all.

Mr. HARDY. Your idea is that naturally and rightly the rail ought only to carry freight that needs speed or special conditions?

Mr. BARNES. Yes.

Mr. HARDY. While the water ought to carry all the grosser, cruder, and long-time freight?

Mr. BARNES. Yes; and to subscribe in favor of the Great Lakes should not debar you from arguing the question of artificial waterways that have to be created of shallow waterways, because there is a waterway exactly like the ocean itself, deep and wide, and running in the right direction with commerce.

The CHAIRMAN. And yet under existing conditions of very little practical benefit to the people, so far as the movement of package freight is concerned?

Mr. BARNES. That is the point, exactly.

The CHAIRMAN. While spending such vast sums of money in improving that waterway, deepening harbors, and giving increased facilities, yet a large part of it is lost by reason of conditions which you have mentioned?

Mr. BARNES. Yes. Is it revolutionary to suppose that the Federal Government install as an object lesson on the Great Lakes an example of cheap transshipping charges between water navigation and the rail?

Mr. HARDY. What do you mean by "terminal docks"?

Mr. BARNES. Terminal facilities?

Mr. HARDY. Docks or terminal operations, whichever they might be?

The CHAIRMAN. Of course, I do not know just how broad the interstate statute is, but if the law is broad enough in its terms to give the Interstate Commerce Commission jurisdiction to determine whether or not that charge is reasonable, it does seem to me, if the case were laid before them, in which it was shown that the railroads now own the ships and are not giving modern facilities for handling freight at the terminals, that the commission would be authorized to compel them to make a charge only commensurate with what it should be if they would install these modern facilities.

Mr. BARNES. Yes; if you could imagine a commission radical enough to do that, it would accomplish it.

The CHAIRMAN. That would be a way to cure it, would it not?

Mr. BARNES. Yes.

The CHAIRMAN. And say to them, "If you want to use the old-fashioned way of stevedores and carry it off and on with manual labor, well enough, but we will simply allow you to charge the rates that would be a reasonable rate if you were to install the electric crane and modern means of handling the freight."

Mr. BARNES. Yes; an order of that kind by the commission would certainly mean long litigation before it would be accepted, would it not?

Mr. POST. They have that power now?

Mr. BARNES. I think they have the power.

Mr. HARDY. Who is responsible for the installation of these up-to-date methods in handling grain and coal and ore?

Mr. BARNES. In grain it is almost entirely by independent associations, elevator companies, and grain shipping firms.

Mr. HARDY. They have to load right on at the docks owned by the railway?

Mr. BARNES. No; they have their own docks for that and their own elevators.

Mr. HARDY. Then, there is privately owned facility there of some sort?

Mr. BARNES. Oh, yes; for grain and ore.

Mr. HARDY. They do not belong to the railways?

Mr. BARNES. They do not all belong to the railways; some of them do, but a large part of it is independent.

Mr. HARDY. They do not belong to the city, these grain-loading docks, etc.?

Mr. BARNES. No; they are owned by private capital.

Mr. HARDY. So that what does not belong to railroads belongs to private individuals, and the city has no public loading place at all?

Mr. BARNES. No; the city could acquire it, but it is expensive to acquire water fronts and improve them, as you probably know.

Mr. HUMPHREY. Oh, yes; they have the right to acquire it, and I am surprised that they have not.

The CHAIRMAN. It just struck me that the city ought to do that, if private enterprise built a dock and equipped it with these modern facilities for handling freight.

Mr. HARDY. Why might it not have been that some enterprising merchant would have a dock for the unloading of package freight and stuff that those people use this old antiquated method for?

Mr. BARNES. It is one of those things it is impossible to do unless you do it completely. There is no half way between the old-fashioned trucking methods and really modern plans for economic working.

Mr. HARDY. Then, I suppose, the package freight is so widely divided that no one man is interested enough to prepare for the delivery?

Mr. BARNES. We have no one heavy enough in Duluth to do it.

Mr. HUMPHREY. Is it not also true that package freight is very much more difficult to handle in the manner you have mentioned? I have watched those great vessels load and unload their ore and coal. I have never seen methods of that character applied anywhere to package freight.

Mr. BARNES. No. Your Commissioner of Corporations in his last report says it is a very surprising thing to see the lack of mechanical devices for loading and unloading package freight, both on the seaboard and on the Lakes, which is true. I am showing you, I think, that the real reason why the Lakes have not done it and the real reason why the seaboard has not done it is because there is no

reason for them to do it as long as all the lines have to pay the same rates. There is no competition to that.

The CHAIRMAN. Take the conditions at the port of Hamburg about which we have been talking so much and you will find these modern methods are employed.

Mr. HUMPHREY. In package freight?

The CHAIRMAN. Yes, indeed; loading and unloading.

Mr. BARNES. There are plans drawn—

Mr. HUMPHREY. There must be package freight that can not be handled the way they handle ores.

The CHAIRMAN. They can not handle it in the steam shovels, but they can handle it with cranes, just the same.

Mr. HUMPHREY. You mean they have no cranes at all?

Mr. BARNES. No; I never saw it.

The CHAIRMAN. They have one dock at Hamburg—I do not know how long it is—with cranes all along that dock, and they take the freight from the car and load it into the ship, and from the ship and load it into the car.

Mr. HUMPHREY. I doubt if they have any better facilities than we have on the Pacific.

The CHAIRMAN. I am not familiar with it myself.

Mr. BARNES. May I show you these photographs? [Exhibiting certain photographs to the members of the committee.]

Mr. HUMPHREY. I want to ask you a question or two. Did you say that they had nothing but railroad-owned vessels that carry packages?

Mr. BARNES. Nothing but railroad-owned boats or vessels which carry package freight. There is a modern coal dock at Duluth equipped for economic transshipment. That is done by private capital. These large coal companies do it. That dock has the record of unloading 10,000 tons of coal in 10 hours, which is, of course, very fast time for disposing of a cargo of coal.

Mr. STEVENS. How did these private companies purchase there?

Mr. BARNES. Some purchased from the railroads themselves.

Mr. STEVENS. Has the city of Duluth ever made any attempt to purchase and develop property?

Mr. BARNES. They have not. As I say, it is only a city of 80,000 people. It has all its problems of pioneer development before it. I think it would do it if it could see the encouragement of a complementary plant at the other end to work.

Mr. HARDY. The other cities?

Mr. BARNES. The other cities. There is a method of loading here [referring to photograph] that has a record of 12,000 tons of ore loaded in 40 minutes. There is a grain elevator at Duluth which has a record of loading 1,250,000 bushels of grain into boats in 10 hours, a million and a quarter bushels of grain. [Referring to photograph.] Here is the loading and unloading of package freight at the berth to-day.

Mr. HUMPHREY. Mr. Barnes, is there any real competition between the railroads running from the east to Duluth and those running west for that central territory? To make it plain what I mean, there must be some competition of some character, because I was somewhat surprised, in looking at a rate sheet a little less than a year ago, showing a rate on canned salmon from Puget Sound, you can

send it down to the Isthmus and take it across the Nicaraguan Railroad and put it on another vessel and take it to New York, unload it and put it on the train and take it to Buffalo and put it on a vessel there and take it back west to Duluth, for almost exactly the same expense that you can send it from Seattle to Duluth.

Mr. BARNES. Yes; and with the Panama Canal opened and with the Erie Canal completed, the cheap route for Pacific coast products from your section to the southwest of Duluth, as, for instance, Omaha, should be that water route, if we get the full measure of our water saving. Every man, woman, and child between the Pacific coast and the eastern Illinois line that wears clothes or eats food would feel the effect of a cheapening transshipping cost on the Lakes, because it would be reflected in every rail rate in general merchandise west of New York.

The CHAIRMAN. Suppose Duluth should have these facilities for unloading freight, would there be such facilities at Buffalo and Cleveland and other points—

Mr. BARNES. Yes.

The CHAIRMAN. There are facilities for handling coal, ore, and grain at those points, then?

Mr. BARNES. Yes; they have grown together.

The CHAIRMAN. But with the railroads controlling the package freight situation so completely, it is difficult for independent enterprises to provide for them?

Mr. BARNES. That is this; if you try to get the city council at the western end to provide terminals and at the other end at the same time, with the competition that such a movement brings, it seems to me almost a hopeless job to get the two at the same time.

Mr. HUMPHREY. It looks to me as if you could get advantage enough out of it and the independent facilities that come by reason of a public dock, which tend to regulate the dock charges on all of them. It stands like it always does in instances of that kind, if you have a public dock owned by the city you have the whip hand of the whole condition.

Mr. BARNES. I think you are right on coast business, with longer voyage steamers, but whether with our four or five day voyage steamers it would work out satisfactorily, I am not quite sure, unless both ends were equipped.

Mr. HUMPHREY. There must be some city facilities at Cleveland and Buffalo, are there not?

Mr. BARNES. Not a thing. They handle their freight just that way.

Mr. HUMPHREY. I mean there must be some public dock except those owned by the railroads?

Mr. BARNES. Our independent city line tried to operate last year carrying flour, and the Minneapolis millers found themselves unable to load anywhere, except at the railroad dock in Buffalo, and they were charged—I just got the figures from this gentleman here—11 cents east of Buffalo, whereas the railroads east of Buffalo were carrying flour delivered by their own Lake steamers at 9.2 cents, which was the point you spoke about, exactly, Mr. Alexander—plus the switching charge of \$1.50.

The CHAIRMAN. Of course, to make the facilities complete, the railroads should be compelled to extend their terminals to the docks.

Mr. BARNES. Yes. The Interstate Commerce Commission has authority to order connections made.

The CHAIRMAN. They have authority to do that. Then, with these improved facilities for handling the freight, the freight should be transferred from the steamer to the car or from the car to the steamer by the crane?

Mr. BARNES. Yes, sir.

The CHAIRMAN. Which would vastly diminish the cost of transshipping?

Mr. BARNES. Yes.

The CHAIRMAN. And that done, the great body of the package freight of this kind for Duluth, for instance, from Buffalo or ports east, would come by water and vice versa?

Mr. BARNES. Yes; we would reach farther back from the water front all the time at a saving.

The CHAIRMAN. And, with the opening of the Panama Canal, it would greatly cheapen and facilitate the cost of transportation in quantities from the Pacific coast to points along the Lakes and points beyond the upper end of the lake and from points within a certain enlarged radius in the Lake region to points on the Pacific coast?

Mr. BARNES. Yes.

The CHAIRMAN. And all along the Atlantic seaboard and Gulf, too?

Mr. BARNES. Yes.

Mr. HUMPHREY. I might suggest, Mr. Barnes, that I think the Panama Canal act goes much further than you have stated. My recollection of that act is that the Interstate Commerce Commission can compel the railroad to dispose of its line of vessels as they think it is to the interest of the public.

Mr. BARNES. Yes; they can.

Mr. HARDY. Do you not think that will have to be done before you can overcome the condition and enable any really independent man to get into competition at all?

Mr. BARNES. I am almost hopeless of the right kind of terminal facilities being provided by individual effort or by municipal effort on the Lakes.

Mr. HARDY. Is it not also almost impossible to make the railroads work so absolutely in harmony with an independent line as they will with their own, anyhow? Can not they throw obstacles in the way that it is almost impossible to conceive?

Mr. BARNES. They can harass them a good deal, but the Interstate Commerce Commission have a good deal of authority under this last legislation to compel a fair water rate as well as a fair rail rate. Practically the theory of every railroad witness who testifies is that a rail rate is made on two premises. One is the cost of the service, and the other is the value of the service. They can tell pretty well the cost of the service. That is specific. The cost of hauling that certain commodity that portion of overhead charges of a railroad system. That they cover with what they call the value of the service; that they should charge more, for instance, for a carload of silk than on a carload of cotton goods, which seems fair; or more for a carload of salt than for a carload of sand. But on the Great Lakes they have no capital risk; they did not create that waterway; the Government did it. The people of this country, through their agents, built that

waterway, and whatever is represented by the value of the service on that waterway belongs to the people, but the railroads making that rate on the same old basis as if they had made the risk of building for the carrying of freight. Absolutely nothing should enter into a tariff on the Great Lakes except the cost of the service, which, being handled in boats, can be definitely ascertained to a fraction of a cent.

Mr. HARDY. Unless it be the risk as insurers, or something like that.

Mr. BARNES. That can be definitely ascertained; they can charge a premium and apportion it as part of the cost.

Mr. HARDY. That would be the only additional value of service.

Mr. BARNES. That is the only value of the service; they do not maintain it; the Government does.

Mr. WILSON. That is actually a part of the cost?

Mr. BARNES. Yes; absolutely. They can tell the cost of handling a ton of anything on the Lakes.

Mr. HUMPHREY. According to a lot of people in this country, the Government ought to charge you people for the use of that canal, and make you pay tolls. That is what they want to do on the western coast.

Mr. HARDY. You would rather do that than part with it?

Mr. BARNES. They would not part with that waterway if they had to pay for it.

The CHAIRMAN. Have you anything to suggest about the legislation enacted by Congress in the Panama Canal bill to remedy this situation?

Mr. BARNES. Yes; if I might be permitted to make a suggestion, which may seem revolutionary. I believe that the terminals should be a part of the waterway system—that is, it is not enough for you to create a waterway and leave independent capital to utilize and improve it, but it is a legitimate function of the Government, through its engineering department to build terminals to supplement its water system. I know that is a big question, and it takes very serious consideration before you would recommend any such departure.

Mr. HUMPHREY. I might say, for your information, that the Rivers and Harbors Committee is very rapidly swinging around to this proposition, that we are going to stop either—I know I favor that policy—making appropriations for the improvement of harbors where some arrangement is not made for public docks, perhaps, to place that upon the local authorities generally, and expect the States and the cities to provide terminal facilities if the Government made the docks.

Mr. BARNES. You realize the same abuses we do. You create the waterway, and then, perhaps, it is useless for want of a terminal.

Mr. HUMPHREY. We found that to be true in several places. There are several places throughout the United States where we have improved waterways by the expenditure of millions and then found we had improved terminal facilities for the railroads that absolutely had control, and there was no competition.

The CHAIRMAN. Is not Philadelphia an example of that sort?

Mr. HUMPHREY. Yes.

The CHAIRMAN. They are clamoring for the deepening of the channel of the Delaware River, and yet in the city of Philadelphia

that vast water front is in the possession of the railroads except one dock, which I understood when I was there was a city dock. Some gentleman stated that had been leased to an Italian steamship company for a term of years.

Mr. HUMPHREY. That is largely true of New York, too.

Mr. HARDY. I think New Orleans owns all its wharves. It is one of a very few cities.

The CHAIRMAN. You have referred in a general way to the independent lines on the Great Lakes. We are curious to know if there are any such.

Mr. BARNES. Not as lines. "Independent tramps" would be a better expression.

The CHAIRMAN. Do you think there are independent tramps on the Lakes?

Mr. BARNES. Oh, yes. Of course, as long as coal and ore are such large freight producers the people interested in coal and ore will always be the biggest vessel owners on the Lakes. They are to-day. But there is a place for the independent boat to live on the Lakes, and it does live there. I am interested in several lines that run just on chartering from trip to trip, for grain or ore or coal.

Mr. HARDY. Is there any combination in these coal freighters and ore vessels?

Mr. BARNES. I do not believe there is, and I do not believe there is any danger of a combination as long as there are enough independent carriers getting a fair earning.

Mr. HARDY. Are the vessels you are interested in running mostly in grain or in coal and ore?

Mr. BARNES. In the fall we get grain more freely, but during the summer months we depend entirely on ore and coal.

Mr. HARDY. There has been no effort to run you out?

Mr. BARNES. No; there has been a place for every independent boat to live.

Mr. HARDY. Have you been cutting rates with each other on coal and grain?

Mr. BARNES. The coal rate is fixed absolutely by the coal companies, and the ore rate by the ore companies. I can not say that there is any competition in that. Grain is absolutely open. There are so many individual shippers that there is always an open market.

The CHAIRMAN. Does not the United States Steel Corporation dictate the rate on ore?

Mr. BARNES. I think they do.

The CHAIRMAN. And the rate has been uniform for several years past?

Mr. BARNES. Yes; because they are the big shippers, and they simply say what they will pay to independent carriers. The other ore shippers pay the same.

Mr. HUMPHREY. The Carriers' Association carry at the same rate?

Mr. BARNES. Yes; but occasionally there will be some one who pays 5 cents a ton more to get a boat for a particular trade.

The CHAIRMAN. They fix the rate, and hence they control the rate on what you call the tramp carrier as well?

Mr. BARNES. Yes.

Mr. WILSON. Does the Pittsburg Coal Co. control the rates on coal?

Mr. BARNES. I am not so familiar with the rates on coal. There are four or five big coal company shippers, and I presume some of them are railroads.

Mr. WILSON. The Pittsburg Coal Co. is one of the largest shippers on the Lakes, is it not?

Mr. BARNES. Yes.

Mr. WILSON. The Pittsburgh Coal Co. has an interlocking directorate with the United States Steel Corporation?

Mr. BARNES. That I do not know.

Mr. STEPHENS. Independent steamers carrying grain have the same freight rate from Duluth to Buffalo?

Mr. BARNES. No; that is a matter of daily fluctuation.

Mr. STEPHENS. But, while it is a matter of daily fluctuation, is it not the same with all independent steamers on the same day?

Mr. BARNES. No; I have seen days when it fluctuated just as widely as the price of grain and stocks would.

Mr. STEPHENS. Between owners?

Mr. BARNES. Between shippers and owners.

Mr. STEPHENS. Between owners of steamships?

Mr. BARNES. I do think it is true that the big ore shippers and the big coal shippers could obliterate the independent carrier on the Lakes if they showed that disposition.

Mr. STEPHENS. They have not any agreement between the independent owners as to grain rates; no conference or anything of that kind?

Mr. BARNES. No; nothing that I know of.

Mr. HUMPHREY. But the Lake Carriers' Association and what is generally known as the Steel Co.'s vessels could combine and very soon put all the independent lines out of business?

Mr. BARNES. No doubt about it at all.

The CHAIRMAN. Why do they suffer them to live in the face of such greed in this day and generation?

Mr. BARNES. I do not know; but they have.

The CHAIRMAN. You would not think they were prompted to do so by humanity. Isn't it true they control them and for that reason they do not think it is worth while to strangle them?

Mr. BARNES. I presume the part they do not control is so relatively small that it has been of no interest to them.

Mr. HARDY. Isn't it possible also that the amount of interest the public is taking in the matter to-day is acting as a deterrent and prevents to some extent the strangulation process?

Mr. BARNES. Yes; although they never showed that disposition before. They always fixed a rate that would allow an independent boat to live. Whether they do it as a matter of policy or not I could not say.

The CHAIRMAN. Is there anything further you would like to state to the committee with reference to the Lakes? Are there any existing abuses?

Mr. BARNES. We really have no complaint with regard to any conditions on the Lakes, except in regard to railroad-owned package freighters.

The CHAIRMAN. Will you please give us the rate on a bushel of wheat from Duluth to Boston and New York.

Mr. BARNES. The rail rate east of Buffalo is fixed by a tariff filed with the Interstate Commerce Commission. At the moment that is 6 cents a bushel for export. The lake rate is a fluctuating rate, but the average last season was $1\frac{1}{2}$ cents a bushel, a total average rate for the season from Duluth delivered at New York or Boston, and approximately the same to Philadelphia and Baltimore, I think, of $7\frac{1}{2}$ cents per bushel.

The CHAIRMAN. Now, it costs $1\frac{1}{2}$ cents to carry a bushel of wheat from Duluth to Buffalo, a thousand miles?

Mr. BARNES. Yes.

The CHAIRMAN. And from Buffalo to New York, 6 cents?

Mr. BARNES. Six cents.

The CHAIRMAN. What is that distance?

Mr. BARNES. Five hundred miles, probably.

The CHAIRMAN. Now, what is the rate from New York to Liverpool?

Mr. BARNES. At the moment the rate from New York to Liverpool is about 8 cents per bushel. That is a very high rate.

The CHAIRMAN. It will be $15\frac{1}{2}$ cents from Duluth to Liverpool?

Mr. BARNES. Yes, sir. You will have to add in there approximately 1 cent for the transfer charge at the seaboard, taking it from the inland carrier and putting it on the ocean. Sixteen and a half cents would be a fair statement of the cost of shipping wheat from Duluth to Liverpool to-day.

The CHAIRMAN. Has the ocean rate been as low as 3 cents?

Mr. BARNES. Not in two years. I have known it so low they carried the grain for no charge at all, just for ballast, but that is no longer true with the type of steamer they use now. But I have seen years when 2 or 3 cents a bushel was the normal rate to Liverpool.

The CHAIRMAN. What has been the increase in the rate on wheat in the last two years?

Mr. BARNES. I should think from an average of 3 cents to an average of 8 or 9 cents.

The CHAIRMAN. Tell the committee what has been the increase in the quantity of wheat exported.

Mr. BARNES. This has been the biggest export year in grain that America has had in 10 years. We raised abundant crops this year. So did Canada.

If you are interested in the ocean-freight situation as regards grain, I would like to make a little statement on that, because we are probably the largest wheat-exporting firm in America. I heard Mr. Sickel's testimony, and it is really true that the world level of freights just now is very high. Neither do I think it possible for any combination of tramp steamers to be so effective as to materially raise that level. I believe it is a natural condition. I believe freight is moving so freely all over the world that the level of rates at this moment is legitimately high. Understand, I know nothing at all about the ocean cargo rates quoted by the steamer lines. They may be effected by combinations. I am speaking now of the competitive tramp-steamer rates. There is real competition in the tramp-steamer carriage.

The CHAIRMAN. Where it moves in cargo lots?

Mr. BARNES. Yes.

The CHAIRMAN. Are we increasing our exports of wheat?

Mr. BARNES. I think it is a temporary condition this year.

The CHAIRMAN. It was not true last year, was it?

Mr. BARNES. No.

The CHAIRMAN. Our exports of wheat and corn and oats are rather falling off, are they not?

Mr. BARNES. To take a broad view of it, yes.

The CHAIRMAN. Also of meat products?

Mr. BARNES. Yes.

The CHAIRMAN. You heard Mr. Sickel's statement justifying the increase of freight rates from 100 to 200 per cent on the ground that this class of freight—corn, wheat, and oats—was moving abroad in such increased quantities, increasing the bulk of freight to be carried by the vessels; do you regard that as a sufficient reason for an increased rate?

Mr. BARNES. Yes, I do; because I believe it is really a world condition. For instance, when we have an inquiry for freight from Hamburg or Antwerp or London, and particularly freight from outside ports, like Belfast, where there is not much steamer service, we immediately ask our broker in New York what rate he could get. Suppose on the steamers via the Hamburg-American Line, or any other line, he should say they would take it for 10 cents a bushel, and then we would ask what he could get a tramp steamer to load it for, and he should say, "I think we can get one at 9 cents, or 3 shillings"; it is then a matter of business policy—is there business enough in sight at that point to warrant us shipping a full cargo of corn at one time to one point? There are not many ports to which we could do that. If there is, we ask the broker what boats are in sight available to load, and we would get perhaps a list of 18 or 20 boats. Sometimes we have an ocean steamer call at Philadelphia for sugar or ore or general freight, and at New York or at Savannah, and they will shift to wherever the grain cargo is that nets more money, and if there is no cargo in sight I have known them to go over to England in ballast. In my opinion, the conditions of steamer rates are so limited that no possible combination could advance the steamer rate on the Atlantic unless the conditions were such that there would be competition everywhere for the same boats. There are too many of them.

The CHAIRMAN. The volume of trade is sufficient for all, and hence for that reason the tramp steamer, normally, is demanding the higher rate?

Mr. BARNES. Yes; it is quite true that five years ago there was a depression in tramp-steamer freight. You could not get cargoes for tramp steamers and the tramp-steamer freight did decrease. Some sank, some became useless—outlived their period of utility.

The CHAIRMAN. So, in order to reduce rates, facilities should be increased? In other words, there should be an increase of tonnage?

Mr. BARNES. I think in a broad, basic way that is true. There may be peculiarities that affect particular merchandise. Any one of the shippers of merchandise which you mentioned, the Steel Corporation and the coal shippers, can, as a rule, use tramp steamers, but there is a certain class of miscellaneous merchandise on which they can certainly advance rates within certain limits.

The CHAIRMAN. Not by combination, but the individuals absolutely control them.

Mr. BARNES. Yes.

Mr. HARDY. Except in the case of the very big shippers, who take the steamers?

Mr. BARNES. Yes; only after the shippers get big enough cargoes; steel, for instance.

Mr. HARDY. And the tramp steamers would be used in every case of big business, anyhow?

Mr. BARNES. In grain; yes, sir. There are 40 grain firms in the States shipping cargoes of grain.

Mr. HARDY. Forty grain firms in all the United States?

Mr. BARNES. Yes; at least 40.

Mr. HARDY. Do you think it is not possible for the conference lines to so far absorb the tramp vessels as to practically control them also?

Mr. BARNES. I do not believe they could absorb the tramp vessels; but you can not collect a cargo of general freight at the seaboard for transmission to the ports abroad in a day or in a week or in a month; you have got to have your machinery, and these lines have facilities and can, within certain bounds, manipulate the rates up or down, if they act together.

The CHAIRMAN. That is particularly true with reference to what is called package freight.

Mr. BARNES. No doubt.

Mr. HARDY. Could they not make it pretty hard for the tramp trade if they set out to do it by making a terminal charge and things of that sort within their control?

Mr. BARNES. On general cargo; yes.

Mr. HARDY. But where a private individual owns its own docking facilities, as your companies do, of course it would not affect that part of it?

Mr. BARNES. Yes. That is as nearly individual competition as you can get.

Mr. HARDY. But taking it in Philadelphia, where the railroads have the docking privileges, or New York, where they are owned largely, as I understand, and in nearly all the coast States, where the railroads own all the facilities, they can make it hard for the tramp?

Mr. BARNES. Yes; they can make it difficult for the tramp.

Mr. HARDY. By the lines that work in cooperation with them having the use of those facilities?

Mr. BARNES. Yes; I think that is true.

Mr. HARDY. The only suggestion you have, then, as to legislation is the question of the Government building or taking over the terminal facilities?

Mr. BARNES. That is the point I want to ask your serious consideration of; yes.

Mr. HARDY. Is there any other point? You present that pretty forcefully. Is there any other point of legislative regulation or law that you think of?

Mr. BARNES. I think in the power you have given to the Interstate Commerce Commission you have really pretty well provided for our protection now, except on this one point.

Mr. HARDY. You do not think of anything with reference to the publication of rates or any requirement as to the stability of rates?

Mr. BARNES. Oh, pardon me; are you speaking now of the ocean situation?

Mr. HARDY. I want to know with reference to the coastwise and Lake situation, as well as the ocean situation.

Mr. BARNES. On the Lake situation, I think the only complaint we have, or will have, is the transshipping charge in the hands of our enemies. On the ocean situation I really could not express to you any opinion, except as I have given to you. Grain is really fairly liquid now.

Mr. HARDY. You think with the railroads owning a great portion of the water transportation on the Lakes, with no kind of regulation whatever, independents could really compete with them?

Mr. BARNES. I think with the transshipping charge reduced and with the route open to any independent carrier, we will take care of the building of facilities ourselves.

The CHAIRMAN. If there is nothing else, we will now adjourn.

Mr. BARNES. I have prepared a statement here which I would like to have incorporated in the record as a part of my remarks.

The CHAIRMAN. You may hand it to the stenographer.

The statement referred to is as follows:

THE NEED FOR SPECIFIC FEDERAL ACTION REGARDING TRANSPORTATION ON THE GREAT LAKES.

[By Julius H. Barnes, chairman traffic commission of the Duluth Commercial Club.]

There are some conditions regarding the transportation of freight on the great inland waterway of North America, the chain of Great Lakes, which need to be corrected by legislation and by governmental action, and this need is just beginning to be generally understood.

All of the arguments against improvement of waterways and against the creation of artificial waterways by the Government fall flat when applied to transportation conditions on the Great Lakes.

An uncompromising opponent of water transportation, Harold P. Moulton, in *Waterways versus Railways*, 1912, an author who claims that impartial analysis shows no saving of any kind on artificial waterways, treats of the American Great Lakes as follows:

"It is agreed that, since the traffic carried on on the Great Lakes is tremendous in amount, we have there ample proof of the practicability of transportation by water; but a little reflection will show that no conclusion in support of river and canal transportation ought fairly to be drawn from the Great Lakes.

"They are a great natural highway, similar to the ocean itself. They are of ample depth, free from current, and of great width. Moreover, they stretch in a general east-and-west direction through the heart of the continent and in the very pathway of our greatest commerce."

The city of Duluth, situated at the farthest western end of this great natural water highway, has had, perhaps, more interest than any other point in America in studying the conditions which have developed because of this waterway. Because of its own natural self-interest in the commerce of the Lakes, it has, perhaps, analyzed conditions affecting it a little more deeply and a little further than the general public.

The current magazines to-day teem with articles showing the crippling of lake transportation by railroad control of lake lines and ocean lines and of the terminals which are essential to those lines. We think these facts were first brought out in the case of the city of Duluth against 100 railroad and lake transportation lines before the Interstate Commerce Commission more than a year ago. This case is still before the commission and the decision of the commission will be of far-reaching effect as showing the policy the Government will assume toward railroad monopoly on the Great Lakes water highway, which is a natural competitor of these rail lines themselves.

Whatever may be argued as to the expenditures of the Government for rivers and canal improvements all over the United States, there can be no question about the value of every dollar spent on these Great Lakes. The most recent

statement we have seen shows an expenditure for channels, locks, and harbor improvements on all the Great Lakes together of about \$100,000,000. One of the Government engineers stated some three or four years ago that the saving on transportation costs for that one year alone on the Great Lakes had returned every dollar of expenditure on the Great Lakes channels and harbors everywhere. That this is far too modest the following short comparison will show you.

The season rate per ton of ore from the head of the Lakes to Lake Erie ports for 1912 has been 40 cents per ton. The rail rate from the head of the Lakes on ore to Lake Erie ports ranges from \$3.75 to \$4.50 per ton, a saving of \$3.50 per ton on the single item of ore, the volume of which for this season through the Soo Canal was 46,303,000 tons and here we have a saving of \$162,000,000 on this item.

The rate on grain for the season has averaged about 1½ cents per bushel. The rail rate on grain between Duluth and Buffalo is 20½ cents per hundredweight, or 12.3 cents per bushel, a saving on grain alone of 11 cents per bushel on the tonnage through the Soo Canal this year amounting to 243,100,000 bushels, a saving in grain transportation cost of \$27,000,000.

Westbound the rate on coal between Buffalo and Duluth has been about 30 to 35 cents per ton. The rail rate for the same haul is \$3.15 per ton, a saving on this one item westbound through the Soo for 1912 on 14,931,000 tons of about \$41,000,000.

A total saving on three articles alone of \$230,000,000 for the one season of 1912.

What the great grain country of the West would do in marketing its crop of grain without the facilities of these waterways we certainly confess ourselves unable to see.

Even were the transportation costs on grain the same by rail as by water, it would be a physical impossibility for the railroads of this country to move the immense volumes of grain out of the Northwest during the crop-moving period. Indeed, we doubt whether it could be moved by rail east to the seaboard at all during the crop year of 12 months. These Great Lakes and the cheap transportation on them provided by our Government are the one thing that has enabled our western country, which must grow grain on a large scale the first few years of cultivation, to compete with the peasant labor of Russia, of Argentina, and of India. Remember also that even the rail rates quoted in the three items above in comparison with the lake transshipping charges have been repeatedly claimed by the railroads themselves to be unduly low, influenced by the competitive conditions of water transportation beside them.

That every dollar of this transportation saving in some form or another reaches the consumers of the East and of the West and greatly benefits the growers of the West can not be doubted for a moment.

But the natural saving to the people of this country east and west in the use of this waterway in general freights, on what they wear and use, with which they equip shop and factory and furnish homes, in the thousand manufactured articles which enter into our complex modern life and on which they should have every saving which a wise and watchful Government can extend to them belongs to the people, and it does not reach them.

When we consider these articles in their manufactured forms we find a very different situation, and in analyzing it and the reason for it we arrive at some conclusions for which I beseech your earnest consideration, and if they are, as we believe, subject to correction only by governmental regulations, we beseech your prompt and efficient action for their relief. We find, for instance, that all manufactured forms must be carried in a special type of boat. We find the very structure which makes that type of boat suitable for carrying package freight makes it undesirable for coarser freights, such as grain, ore, and coal. We find it adds a per cent to the cost of construction because of the intermediate decks and compartments which it must contain.

We find independent carriage in that type of boat, and that type of freight has, since 1890, been in the hands of railroad-owned steamers, and we begin to wonder why.

We find that while the general freight-rate level (still making large returns to independent operators of boats in grain, ore, and coal) has steadily declined until it presents the cheapest water transportation in the world, rates on general merchandise carried in this special type of boat owned and controlled and monopolized by railroad owners have steadily advanced in the same period, and we wonder why.

We find this general level of freight charges on the Lakes in grain, ore, and coal steadily declining, partly owing to the elimination of delay to a boat in loading or unloading by the most modern handling apparatus at each end of the trip, but we find the general type of freight carried by these railroad-owned steamers to be loaded on and unloaded from the steamer in the same antiquated, slow, laborious manner which prevailed 40 years ago; and again we wonder why.

We find the size of Lake steamers—with the deeper channels and better transportation facilities offered by the Government, have steadily increased and the load capacity enlarged without relative increase in the cost of operation, and that this has logically been reflected in the steadily declining level of freight charges on grain, ore, and coal.

We find the same improvement in type of vessel and in size of load, but, instead of reductions, a steady advance in the freight charges on general merchandise carried in the railroad-owned type of steamer, and we wonder why.

In the case before the Interstate Commerce Commission presenting some of these facts a year ago the evidence showed that from the private records of the Central Traffic Association in the years 1890 and before that, the rail lines reaching from Buffalo to Chicago and the West were constantly complaining of the amount of freight taken away from them by the boat lines operating on the Great Lakes. And the statement was made by the central lines at a meeting in Chicago on February 11-12, 1890, that the argument "that the boat lines did not want higher rates was not of a practical character."

At that time most of the large eastern trunk lines had rails only as far as Lake ports on Lake Erie, and were operating their steamers west from there. They had no interest in the central rail lines paralleling this route, and they paid no attention to the protest of these rail lines that the rates made by these Lake lines were so low as to divert business from them, until about 1901. By this time the large eastern trunk lines had secured control of substantially all of the central rail lines reaching to the West, and also of the Lake transportation lines on the Lakes; and then began a radical readjustment of relative rates between the rail lines and the Lake lines, both of them, mind you, under the same railroad control.

The lake rates were constantly advanced a little at a time, while the rail rates were held steady, until to-day they seem to have reached a relative basis which is fairly satisfactory to the railroads. This basis has the effect of diverting from the Lakes much of the general merchandise transportation which should be done by this cheap waterway. For instance, for the season of 1912 through the Soo Canal, while the grain movement amounted to 243,000,000 bushels, the movement of flour in barrels was only 8,652,000; while the tonnage in ore and coal amounted to over 60,000,000 tons, the tonnage general merchandise amounted to 1,664,000 tons. No railroad operator in his wildest moments would think of attempting to compete by rail in the carriage of grain across the Great Lakes, nor in the carriage of ore, nor in the carriage of coal. It is absolutely beyond the possibility of contemplation; that of serious competition between rail and water transportation on such a highway. Yet, by controlling the type of boat necessary to carry general merchandise, by making the handling of such freight on and off the vessel as antiquated and expensive, as slow and cumbersome as possible; by maintaining lake transportation rates just as high as can be done by every resource in their power; they are able at a short distance from actual lake transportation at either end, almost to equalize the transportation charge between the water route and the rail.

For instance, getting away 150 miles from the western end of Lake Superior to Minneapolis and away from the eastern end of Lake Erie to New York, they have a rail rate on flour and mill stuffs from Minneapolis to New York of 23 cents lake and rail and 25 cents per hundredweight all rail; a difference so small that on many of the special deliveries at either end it is just as advantageous to ship all rail as to use this great water highway created by this Government a short distance away.

It has developed by the testimony before the Interstate Commerce Commission recently that the railroads will accept a lower rate on grain delivered them in Buffalo by railroads loading west from Buffalo than they will on grain delivered them at Buffalo by vessel from the Lakes. Is that a proper way to encourage the economy of the great water highway?

If you will examine the figures for the 1912 crop movement of grain from Chicago to the East by lake and by rail, you will observe the following: That eastern lake ports, including Canadian ports, such as Montreal, the total

grain movement of wheat, corn, and oats in bushels amounted to 48,500,000 bushels, while by eastern rail lines out of Chicago the total movement of these three commodities alone amounted to 157,000,000 bushels. That looks as if the rail lines had about secured control of the grain movement out of the great market of Chicago entirely to their liking.

If they have been able to do this on grain, what has been the result on package freight and general merchandise, which they control more absolutely, but on which the tonnage figures, which tell the story, are more difficult to obtain?

Again, it has developed in the testimony in a recent case before the Interstate Commerce Commission, after showing that the relative rates on flour from Minneapolis to New York had been readjusted in recent years since the railroads obtained control of the operation of both rail lines and boat lines in the carriage of mill stuffs, that whereas the lake and rail rate used to be 20 cents Minneapolis to New York while the rail rate was 25 cents, this difference has been gradually curtailed by advances in the lake-and-rail rate until that has been advanced 3 cents per hundredweight and the rail rate held where it was. Remember this has been done during the time when the transportation charges on all other types of freight on the Great Lakes have steadily declined, and have declined, not because that trade was languishing, but because the logic of economic transportation forced the decline in freight charges in the face of an enormous increase in volume of actual business.

Again, it has developed in a recent case before the Interstate Commerce Commission that the bulk of the flour from Minneapolis to ports even on Lake Ontario, such as Cleveland and Detroit, moves to-day all rail. Is that a proper condition to give flour consumers of such populous cities as Erie, Cleveland, Toledo, Sandusky, and Detroit the benefit of cheap bread stuffs which the waterway at their doors should give them?

It is our belief after impartial and careful investigation that the railroads which control the package lines on the Great Lakes have a deliberate purpose, not alone in making the lake transportation profitable to them, but to make the carriage of lake freight so high that at only a short distance from the western end of Lake Superior the rail transportation charge can be made to meet it and to deflect from the water highway freight which should naturally move on that highway.

If this is true, it is a serious situation. It can be corrected and should be. I venture to make the following suggestion, and bespeak for it your most earnest consideration. It is no light matter that a water highway perfected by our Government, which should save our people millions in transportation costs, should be nullified by the shrewd manipulation of railroads interested in competing with it.

How can it be corrected? San Francisco is correcting it by installing modern unloading and handling apparatus, which will economically handle general freight from and to a steamer. We understand they have fixed a charge there, which covers their operating expense, at 5 cents per ton.

New Orleans has done something of the same sort, and we understand their charge is 6 cents per ton for that service. On the Great Lakes the regular scale for taking commodities from the steamer and landing them simply on the dock runs from 21 to 40 cents per ton; and to take it from the dock again and put it in the car, 12 to 30 cents per ton more.

The new electrically equipped coal docks in Duluth, operated by coal companies for the reduction of their own expenses, take coal from the hold of a steamer, carry it across the dock, and load it into a waiting car at a cost of 3 to 4 cents per ton. The same service on general freights through a railroad freight house would cost 33 to 65 cents per ton, and if it must be stacked in the freight house and piled, because for any reason it can not make a direct transfer, the charge runs easily 5 to 15 cents per ton additional. Put this charge on each end of the Great Lakes in handling general merchandise and see how far away from the Lakes at each end this cumbersome and unnecessary transshipping charge reflects to the aid of competing rail lines.

Of course they will keep it as high as they can. Of course they will make the transshipping of freight from a railroad to vessels just as high as can be excused and maintain it for just as long as possible.

The elimination of an unnecessarily high shipping charge is not the only economy to be attained by the application of modern methods to Lake transshipping. Here is a comparison: One grain elevator at the head of the Lakes

has a record of loading into vessels in one 10-hour day 1,250,000 bushels of grain; one ore dock at the head of the Lakes has a record of having loaded into a steamer 9,456 tons of ore in 25 minutes; one coal dock at the head of the Lakes has a record of having unloaded from a vessel onto its docks, in 10 hours and 20 minutes, nearly 9,000 tons of coal.

In package freight, if conditions are very favorable, three days are sufficient to unload 3,500 tons of general freight, but usually more would be required, while for loading the more uniform freights east bound of mill stuffs 5,000 tons could be loaded in from two to three days. Somebody is paying for all that idle time of the package-freight boat.

The Commissioner of Corporations, in his report on transportation by water in the United States, part 3, 1910, has analyzed this situation correctly. On page 1 he says:

"In general, however, there are four fundamental requirements for all water terminals—(a) good wharves, (b) warehouses and storage facilities, (c) mechanical appliances for transshipment of freight, (d) and this is highly important, though not always practicable, belt-line railway connection with adjacent railroads and industrial concerns."

And again, "Equally important is the control of the physical factors. Our waterways are public highways; our national waterways policy depends upon this principle. Now, our water terminal is peculiar in that it is the meeting place of the public highway with railroads which are privately owned and with terminal frontage, also usually subject to private ownership. The character of the ownership or control of the essential terminals of this public highway is therefore of the first importance. Private control of terminal facilities may seriously impair or practically destroy the real public character of the channel. For example, this part shows that a surprisingly large proportion of the most available water frontage in terminals is controlled by railroads."

And again, "Equally important is the control of the physical factors. Our The general lack of power equipment for transshipping water freight, especially package freight, is really remarkable in view of the great increase of use of mechanical power in other lines of business."

We agree with this report. We believe it is really indeed true that the general lack of power equipment for transshipping, especially package freight, is "remarkable." We believe impartial investigation will show the reason for it as we have outlined in our previous statement.

The correction of this can not be left to private interests. The only handlers of freight at present interested in improving handling facilities for freight on and off these package-freight steamers are the railroad lines whose larger interest lies in keeping that transshipping charge as high as possible. We think to reflect the full benefit of this great waterway created by yourselves to the people of this country, east and west, that the Government must take hold of the terminal matter at each end. They must solve the problem and must furnish the facilities.

The report of the Chicago harbor commission comprehended the necessity for this. I quote from their report: "Handling facilities at terminal ports for the bulk commodities that constitute the heavy tonnage of lake commerce, iron ore, grain, coal, lumber, and salt, may be provided by the part of capital in the city in the particular lines of business dealing with those commodities; but when it comes to the miscellaneous cargo it would seem that satisfactory handling facilities are to be provided only by the public or by the railroads."

Now, when the railroad interest is, as we have shown, directly opposed to improving those handling facilities, when the record of 40 years shows that they will make no attempt to improve those facilities, when the record of 30 years shows that every saving the Government gives them, with other independent carriers, the benefit of in the way of improved carrying capacity by larger channels and better navigation facilities will not be reflected in lower rates but in higher on all the traffic that they can control and monopolize, then we believe it is time for the General Government itself to take strong and efficient action.

A city of 80,000 people, like Duluth, can not do this on a scale to protect the interests of the millions of people west of us and the larger number of millions east of us, to both of which groups economical transportation should be secured by the Government.

If this Government should say to the railroads, "You shall have a fair rate on freight to and from the lake front; you shall deliver that freight to any water carrier who calls for it, whether your own or any independent operator"—if that Government then should furnish the most modern and improved shipping

apparatus for the transfer of this freight, you will see that the railroads will cease to try to control that freight which should naturally seek this waterway, will develop the lines of freight which should naturally belong to them and seeks their rails naturally, and the saving in general merchandise transportation between the East and the West would be a very large and appreciable factor.

This saving, too, would reach directly to every home.

Take the one item of flour: The transportation of flour from Duluth to New York, both on the lake and on the rail, is controlled by the trunk lines to the East. Their rate is 18 cents per hundredweight, or 36 cents per barrel.

With the completion of the Erie Canal so that an independent carrier can operate on the canal and with a scientific and economical transshipping terminal at Duluth and again at Buffalo, I do not believe the transportation charge between Duluth and New York would be over 10 to 15 cents per barrel. A saving of 20 cents per barrel on flour would reflect into every home in the East. And this is not the only item of the vast tonnage which would move under those conditions.

In the report of the Chicago Harbor Commission, 1909, is the following:

"Duluth clearly has the best harbor on the Lakes. After it would rank Buffalo. Such harbors as South Chicago, Cleveland, and Milwaukee would constitute the next lower class. The Chicago Harbor ranks below all these in point of excellence and facilities," and again,

"Monopoly control of terminal facilities gives monopoly control of the transportation business between terminals. This is true of waterways open to all on like terms as well as the railways. Competition can have free play on a waterway only in case there is access to the terminal facilities by all boats on like terms."

What I would suggest and urge upon you is that the Government should extend still further the enlightened policy which created these great waterways and by the construction of modern and scientific handling and terminal facilities at each end of this great water route give the whole world the object lesson in the economical handling of package freight and general merchandise which on the Great Lakes has already been done in the carrying of bulk freight.

An enlightened public policy demands that the terminal question be settled and settled right. Let it be no longer left in the hands of the most natural enemies of water transportation.

In 1850 all the tonnage of Lake Superior was carried around Sault Ste. Marie's Falls by horse and cart. In 1912 the freight tonnage through the Government locks at that point was 72,472,676 tons. Most of that tonnage is the development of the last 30 years, and the country back of Duluth, stretching to the Pacific coast, is filling each year more rapidly with farms and homes, factories, and prosperous cities. These people look to you to keep the great cheap channel to their market and from their great sources of supply open on the freest possible terms.

What 30 years from now will show in the way of tonnage through the western end of Lake Superior none of us would dare to guess. The Government that built the first Soo Canal in 1856, and did not improve it again until 1887, never anticipated the enormous tonnage development that goes through that channel to-day; but that they built wisely and well, no one can doubt.

We believe, in the light of this record of development and in anticipation of the development which we know has only just begun, that you would be justified in showing a broad vision of the future by planning to-day and now to demonstrate on the western end of Lake Superior that the transportation of all classes of freight on the Government waterway shall be open to every operator of a steamer, and that the transshipping costs from rail to lake and lake to rail shall be under Government direction, wisely demonstrated to be so low by scientific and modern methods that it is no barrier to the free use of that great cheap water highway.

Thereupon, at 4.50 o'clock p. m., the committee adjourned until tomorrow, Saturday, February 1, 1913, at 10.30 o'clock a. m.

SATURDAY, FEBRUARY 1, 1913.

The committee met at 10.20 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Burke, Stone, Post, Faison, Humphrey, Porter, and Stephens.

The CHAIRMAN. The committee will come to order. Mr. Schwerin, will you be sworn?

TESTIMONY OF R. P. SCHWERIN, VICE PRESIDENT AND GENERAL MANAGER PACIFIC MAIL STEAMSHIP CO. AND SAN FRANCISCO & PORTLAND STEAMSHIP CO., SAN FRANCISCO, CAL.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Schwerin, please give the committee your name and address and your business connections.

Mr. SCHWERIN. R. P. Schwerin, vice president and general manager of the Pacific Mail Steamship Co. and the San Francisco & Portland Steamship Co., address San Francisco, Cal.

The CHAIRMAN. Mr. Schwerin, we will consider the several areas to which your companies trade, and we will begin with Central America. First, please, tell the committee the ownership of the Pacific Mail Steamship Co. Who is the president?

Mr. SCHWERIN. There is no president now.

The CHAIRMAN. You are the chief executive officer?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. State the ownership of the Pacific Mail Steamship Co.

Mr. SCHWERIN. The Pacific Mail Steamship Co. is an organization incorporated under the laws of the State of New York, with its head office in New York City. It is an incorporation of twenty millions capitalization. Its stock is held by about 1,100 stockholders. It has a line of steamers operating from San Francisco to the Orient; a line operating direct from San Francisco to Balboa, and a line operating from San Francisco to Balboa and serving the ports of Mexico and Central America.

The CHAIRMAN. You say there are about 1,100 stockholders; what proportion of the stock is held by the Southern Pacific Railroad?

Mr. SCHWERIN. I believe about a hundred shares over 50 per cent.

The CHAIRMAN. What other lines than the Pacific Mail are engaged in the Central American and Mexican trade from San Francisco or the Pacific coast?

Mr. SCHWERIN. The Pacific Mail is the only direct line between San Francisco and Central America and Mexico. The Jebsen people are running a ship from San Francisco to certain ports in Mexico; the Mexican National Steamship Co. is running a line along the coast of Mexico to Salina Cruz, and has a traffic arrangement with the American-Hawaiian Steamship Co. The Salvadorian Steamship Co. is running a line of vessels from Salina Cruz to Corinto, and they also have a connection with the American-Hawaiian Line. These two lines, the Mexican National Steamship Co. and the Salvadorian Steamship Co., are direct competitors of the Pacific Mail on local Central American and Mexican business. The Kosmos Steamship Co. operate a line from Puget Sound, via San Francisco and

certain Central American ports, to the west coast of North and South America and Europe. They are also competitors of the Pacific Mail Steamship Co.

The CHAIRMAN. Will you please tell the committee, if your company, the Pacific Mail, is a party to any agreement or understanding with any or all of the other steamship lines mentioned, as regards freight or passenger traffic from the United States to Mexican, Central American, or South American ports?

Mr. SCHWERIN. We have no traffic agreement on either freight or passenger business with any other steamship company.

The CHAIRMAN. In those trades?

Mr. SCHWERIN. In that trade.

The CHAIRMAN. You say you have no understanding with them?

Mr. SCHWERIN. No, sir; not from the United States to Mexico or Central America.

The CHAIRMAN. Either as to division of traffic or territorial division of routes?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Nor as to meeting the competition of these lines?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Nor regulating the time and number of sailings between designated ports?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Nor fixing freight rates or passenger fares, nor the maintenance or change of the same?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Are your rates and those of the Kosmos Steamship Co. the same from ports on the Pacific to ports in Mexico and ports in Central America?

Mr. SCHWERIN. The only place that we come in competition with the Kosmos Line is with freight which originates in San Francisco.

The CHAIRMAN. Well—

Mr. SCHWERIN. And that is our own business. The merchant's shop with both companies for their freight.

The CHAIRMAN. There is open competition between you?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. We have tariffs of the Kosmos Line and of your line also, both of which went into effect March 25, 1912, and from an inspection of these tariffs, it appears that they are identical as to rates. They cover the freight tariffs from San Francisco and the American coast ports to Mazatlan, San Jose, Manzanillo, Acapulco, Salina Cruz, Ocos, Champerico, San Jose, De Guat, La Libertad, La Union, Arva Palo Corinto, San Juan del Sur, Punta Arenas, Arva, and other ports. Will you explain to the committee how it occurs that the tariff of the two lines are identical to these ports?

Mr. SCHWERIN. What is the date of that tariff, Judge, please?

The CHAIRMAN. It is March 25, 1912.

Mr. SCHWERIN. The Pacific Mail published its tariff and the Kosmos Line followed it. We have always done that.

The CHAIRMAN. This report was sent to the committee in answer to our request to furnish us the current rates.

Mr. SCHWERIN. It does not follow that those rates are effective.

The CHAIRMAN. The request of the committee was to furnish us with the current effective rates of the companies covering the areas mentioned, and we assumed they were furnished as requested; as I understand you, however, those tariffs were made by your company and simply copied or followed by the Kosmos Line. Is that correct?

Mr. SCHWERIN. Yes.

The CHAIRMAN. They were not fixed in conference between the two lines, then?

Mr. SCHWERIN. Not to my knowledge.

The CHAIRMAN. And there is no understanding or agreement that they will be adhered to?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. You say they are not adhered to?

Mr. SCHWERIN. That is my understanding.

The CHAIRMAN. The rates from San Francisco to the points named are not uniform; the shippers dicker with both companies and the rates are not uniform. Now, do you mean to say—we should like to get the exact facts—the rates made by your company are adopted by the Kosmos Company simply as a basis, and the rates are cut by both companies according to the demand or the conditions that exist at the time?

Mr. SCHWERIN. No; I would not put it just that way. I would say those are our rates. We try to get them, but if we can not get them we take something else. If we have a ship going we want to fill that ship, or if we know the merchant is dickering with the other fellow, the chances are the other line will give him the rates he says he can get from us. In other words, our tariff is a maximum tariff. We try to get it if we can.

The CHAIRMAN. And you have no agreement with the Kosmos Line that each will not cut the other's rate?

Mr. SCHWERIN. Not to my knowledge.

The CHAIRMAN. Do you both have sailings from San Francisco on the same days?

Mr. SCHWERIN. The sailings are totally independent of each other. They run an irregular service; we run a regular published schedule.

The CHAIRMAN. How often; give us some idea of your schedule.

Mr. SCHWERIN. We are supposed to run every 10 days.

The CHAIRMAN. About how often do they run ships in that service?

Mr. SCHWERIN. About once a month.

The CHAIRMAN. Yours are both passenger and freight steamers. are they?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Are theirs both passenger and freight steamers?

Mr. SCHWERIN. They have limited passenger accommodations, but they take no passengers out of American ports in order to avoid complying with the United States passenger regulations and with the wireless regulations. They begin to pick up passengers after they get to the Central American coast.

The CHAIRMAN. They are not equipped with wireless apparatus?

Mr. SCHWERIN. The old ships were not. The new 12,000-ton steamers, I believe, are.

The CHAIRMAN. Your ships are all equipped with wireless apparatus, are they?

Mr. SCHWERIN. Yes, sir.

Mr. HARDY. Are your ships and the ships of the Kosmos Line under foreign flags?

Mr. SCHWERIN. Our ships are all American ships in the trade.

Mr. HARDY. How about the Kosmos ships?

Mr. SCHWERIN. They are all German ships; it is a German line, very largely controlled by the Hamburg-American Packet Co.

The CHAIRMAN. Our information is from a source which ought to be reliable; that in the Pacific trade between the coast of Guatemala and San Francisco, the following lines operate: The Pacific Mail Steamship Co., the Kosmos Line, the Salvadorean Railroad line which connects with the American-Hawaiian Steamship Co. by way of Tehautepec and Mexico with New York, and that there is a freight agreement between the lines mentioned and the freight rate on coffee, the most important commodity, is identical on the three lines to San Francisco, namely, \$9 per ton; the rate on flour, on the return trip, is \$6.50 a ton on all three lines. Is that a fact?

Mr. SCHWERIN. I do not think the Kosmos Line takes any flour from San Francisco. They originate all their flour on Puget Sound. I should say there is very little flour originating in San Francisco for any line. The flour we have been carrying for San Jose de Guatemala has been mostly Portland flour that paid the revenue from Portland to San Francisco, or from Puget Sound to San Francisco and was transshipped at San Francisco. The Kosmos Line would get the full tariff from the Puget Sound flour to San Jose de Guatemala; the Pacific Mail would have to divide its revenue with the carrier from either the sound or Portland to San Francisco. I think the rate has been lower than \$6.50. I understand our company raised their rates lately, and whether the Kosmos has followed, I do not know; but I remember seeing a letter a short time ago that at the rates we put into effect there would be no more movement of flour from San Francisco via San Jose de Guatemala, but all flour would move from New Orleans to Guatemala via Puerto Barrios. I can not tell you what governs the Kosmos Line except that we have always created the tariffs and the Kosmos Line has followed or not as they saw fit. We have had coffee rates from the west coast of Central America in competition with the Kosmos Line as low as \$2 a ton.

The CHAIRMAN. We get this information through the State Department, and we simply wished to—

Mr. SCHWERIN (interposing). If the State Department informed you that there was any agreement by which the rates were maintained by the Salvadorean Railroad and the Kosmos Line and the Pacific Mail, the informant of the State Department is absolutely in error.

The CHAIRMAN. I do not wish to misrepresent what the State Department say. They say that their representative has information to the effect that this is true, but he was unable to get possession of the agreement.

Mr. SCHWERIN. I know I told the Kosmos Line's representative—I think it was two years ago—that I declined to carry coffee at any such ridiculous rates as \$3; that I was going to put in a rate of \$6 a ton and he could do what he pleased. I put in a rate of \$6 a ton and he put in a rate of \$6 a ton and we carried coffee at \$6 a ton—we carrying about 80 per cent of it.

The CHAIRMAN. His statement is to the effect that the rate is \$9 a ton.

Mr. SCHWERIN. Well, if there is any rate of \$9 a ton I do not know anything about it, sir.

The CHAIRMAN. The freight rate for coffee is identical on the three lines from San Francisco, namely, \$9 a ton. You say there is no such rate?

Mr. SCHWERIN. I think the highest rate we have had on coffee in the last 10 years has been \$7.50—less than one-half cent a pound.

Mr. WILSON. There being no understanding between you and the Kosmos Line relative to the establishment of rates—

Mr. SCHWERIN. Any more than we say we are going to make our rate.

Mr. WILSON. Then how do you explain the fact that both concerns publish identical tariffs to go into effect upon the same date?

Mr. SCHWERIN. Well, I can understand that. If the Pacific Mail state they are going to issue a tariff, that tariff is not issued until it had been discussed with certain merchants. The great bulk of the business between San Francisco and the west coast of Central America is handled by about 10 merchants. The matter is first discussed with them. The Kosmos Line knows just what we are doing, because these merchants have discussed it with the Kosmos Line. If the Kosmos Line took it up with the merchants in connection with the rate, these merchants would discuss it with us, and what the merchants really want is a reasonable rate upon a fixed basis. They do not like for us to seesaw backward and forward if it possibly can be helped; that is what they tell us. Then we publish our tariff and the Kosmos Line follows it or not, as they see fit. Sometimes they have not followed it; then the merchants will come around and each will want a little better rate than the other, and that is the way it goes.

The CHAIRMAN. Do the agents of the Pacific Mail Steamship Co. and the Kosmos Line get together and thrash out these differences and agree on a basis?

Mr. SCHWERIN. I do not know that they get together and thrash the question out in that direction. I have no doubt they get together and cuss each other for having such low rates, and especially when the rates have been as low as they have been on the west coast.

The CHAIRMAN. Is there any conference between representatives of the two lines?

Mr. SCHWERIN. There is no agreement that I know of between the Kosmos Line and the Pacific Mail Steamship Co. for a physical division of territory or in regard to maintenance of rates.

The CHAIRMAN. Do they hold conferences for any purpose?

Mr. SCHWERIN. I have no doubt that the traffic manager of the Pacific Mail and the general agent of the Kosmos Line discuss the rate situation. It would be unnatural if they did not, just the same as business men discuss the question of values in their business.

The CHAIRMAN. Do they?

Mr. SCHWERIN. I have no doubt they do.

Mr. WILSON. Would not that discussion account for the tariffs being identical, published on the same day?

Mr. SCHWERIN. No, sir.

Mr. STEPHENS. Mr. Schwerin, how could the two tariff sheets be the same date if the Kosmos followed yours and you both issued previous to the date given on the first page?

Mr. SCHWERIN. I think in the last tariff that was made the firm of Otis-McAllister & Co. was consulted very largely on the raise of rates. The rates had become so low that they were abnormal, and the question was discussed with them in reference to a reasonable rate, and they discussed it with the Kosmos Line. When we said we were going to put our rates up—the old agent of the Kosmos Line had been killed in an automobile accident and a new man came in—we knew that the Kosmos Line was as much dissatisfied with the tariffs which had been effective as we were, and there was not any doubt in my mind that Mr. Ebey knew what we were doing from the merchants, with whom he had a very close connection through some of those German firms, and he had probably copied the tariff which we submitted, and when we said we would get this tariff out on a certain date there was nothing to prevent him from getting his tariff out on the same date.

Mr. STEPHENS. Do you adopt the plan of having them meet your tariff?

Mr. SCHWERIN. They do what they like, and we do generally what we like.

Mr. STEPHENS. That is the only instance, did you say, that the Pacific Mail issued its tariff and the Kosmos Line followed?

Mr. SCHWERIN. That has been the custom of the Kosmos Line.

Mr. STEPHENS. If it is true that the tariff sheets of the two companies are dated the same, how can they follow you, because the sheets are probably in the hands of the printers on the same date?

Mr. SCHWERIN. I do not mean, necessarily, in this case, that they followed us in issuing their tariff subsequent to our tariff, but I mean they followed us in reference to the proposed rates. I have no doubt this tariff was discussed a month or more before our sheets were even given to the printer.

Mr. STEPHENS. They knew before publishing their tariff what yours would be on each article mentioned in that tariff?

Mr. SCHWERIN. I have not the slightest idea but they knew from the merchants exactly what we proposed to do.

Mr. STEPHENS. Do you not think it quite singular that they would be able to meet your tariff in every figure?

Mr. SCHWERIN. Not at all.

Mr. STEPHENS. Do you know if they have ever cut your tariffs?

Mr. SCHWERIN. Yes; I do not think they demand the rate under the terms of the tariff on a single article. It is a game which the agents play to publish a tariff and then go to a shipper and say, "This is our tariff, but you come to us and we will give you any rates you want." It makes the other fellow think his competitor is following that tariff?

Mr. HARDY. Mr. Schwerin, when you told the Kosmos people you were going to put your rates up from \$3 to \$6, did you mean for them to understand that was so?

Mr. SCHWERIN. Yes.

Mr. HARDY. In that case it was not a game that you were playing, but a bona fide statement?

Mr. SCHWERIN. Absolutely. We discussed the tariff with Mr. McAllister, of Otis, McAllister & Co., and he said the business justified a \$6 rate.

Mr. HARDY. You said you were discussing with the firm of Otis, McAllister & Co. the question of getting reasonable rates, and they talked with the Kosmos Line about getting reasonable rates. Do you know whether Mr. McAllister understood by that that you and the Kosmos people were going to put the rate up to \$6 at that time?

Mr. SCHWERIN. I could not answer as to that.

Mr. HARDY. Did you talk with Mr. McAllister himself?

Mr. SCHWERIN. Yes.

Mr. HARDY. And did you lead him to understand you were going to put the rate up to \$6?

Mr. SCHWERIN. Yes.

Mr. HARDY. Did he let on to you that he knew anything about whether the Kosmos people were going to do the same thing?

Mr. SCHWERIN. I do not see how he could, because at the time I had the talk with him the rate was initiated with me.

Mr. HARDY. I understand you, now, to say that the Kosmos people did talk to him?

Mr. SCHWERIN. Afterwards, no doubt.

Mr. HARDY. How did you find out that he talked with the Kosmos people?

Mr. SCHWERIN. How did I find out he talked to them?

Mr. HARDY. Yes. I want to get this thing clear. I want to know how the firm of Otis, McAllister & Co., yourselves, and the Kosmos people came to an understanding.

Mr. SCHWERIN. There was no understanding with Mr. McAllister and myself. The firm of Otis, McAllister & Co. are very large coffee importers in San Francisco. I discussed with him the advisability of havng a decent rate on coffee from Central America to San Francisco, and I asked him if he could see any objection to our raising the rate to \$6. He told me he did not think there would be any objection to that. He said coffee could stand a \$6 rate as well as a \$3 rate. Coffee was selling at 18 cents a pound. He said, "What will the Kosmos Line do?" I said, "I do not know." He said, "If we hold the rate at \$6 and they take \$3, the shippers will ship the coffee by the Kosmos Line." I said, "I was tired of carrying it at this low rate and was going to put in a rate of \$6 anyway;" and I instructed our traffic manager to do so. I never discussed in any way, shape, or form the advance of that tariff with any representative of the Kosmos Line, but I heard afterwards from the traffic manager of the Kosmos Line that they were also putting on a rate of \$6.

Mr. HARDY. To whom did you say personally you were going to raise that rate?

Mr. SCHWERIN. Mr. McAllister, of Otis, McAllister & Co.

Mr. HARDY. Did you not also tell the Kosmos Line people you were going to raise it to \$6?

Mr. SCHWERIN. I did not tell the Kosmos people.

Mr. HARDY. I think you said just now that you did, and they said they were going to agree to it.

Mr. SCHWERIN. Afterwards, when our rates became effective.

Mr. HARDY. You would not hardly tell them you were going to do this thing after your rates became effective?

Mr. SCHWERIN. Yes; but I understood you to say that I discussed this thing before the rates became effective.

Mr. HARDY. I understood you to state that to the committee.

Mr. SCHWERIN. No. If that is my statement, that is not my recollection of it; that is not my understanding of the import of my statement. My statement is that I made the rate \$6, and then Mr. Ebey, of the Kosmos Line, said he thought I was making a mistake, but they would make any rate they pleased.

Mr. HARDY. You can look over your statement that you said you were tired of this \$3 rate and you were going to fix yours at \$6.50.

Mr. SCHWERIN. No; \$6.

Mr. HARDY. And you did do it, and they followed you; and that was evidently long enough before you made your publication for them to publish their rates to come out the same day.

Mr. SCHWERIN. There was no publication made on that at all, sir.

Mr. HARDY. There was no publication made of that?

Mr. SCHWERIN. No. Our agent in Central America was instructed to make the rate \$6.

Mr. HARDY. Just along that line, you said that the rate had varied from \$2 to \$7.50, which was the highest rate you had had on coffee in the last 10 years. Has that rate fluctuated between those two?

Mr. SCHWERIN. It has fluctuated between the two; yes.

Mr. HARDY. How did you make those fluctuations when you went from \$2 to \$3?

Mr. SCHWERIN. They had all been going down, and then they were gradually going up.

Mr. HARDY. When was it \$7.50?

Mr. SCHWERIN. I should think about 1900 it broke from \$10 to \$7.50. I think you will find it was one-half a cent a pound, or \$10 a ton, for years previously.

Mr. HARDY. That was during the Boer War?

Mr. SCHWERIN. It was about 1900 when it began to go down.

Mr. HARDY. What caused it to break?

Mr. SCHWERIN. Competition between the Kosmos Line and ours. The agent of the Kosmos Line, Mr. Gray, the gentleman whom I mentioned as having been killed in an automobile accident, was in Central America. He was the representative also of the Kosmos Line, and part of his salary was based on commissions, so he made rates to get the tonnage. For every pound of freight he could get he got a commission out of it, regardless of what the earnings were, and in those days they had special steamers running on the Central American route in the coffee trade and also had twice as many steamers running to San Francisco as they have now. His policy resulted in the rates all along the line being shot to pieces.

Mr. HARDY. When did you get that rate down to \$2 a ton?

Mr. SCHWERIN. I think it was about three years ago.

Mr. HARDY. And when did you raise it back to \$6 a ton?

Mr. SCHWERIN. I think it was raised to \$4 a ton and then from \$4 to \$6 a year ago.

Mr. HARDY. You did not raise it from \$2 to \$6, but from \$2 to \$4, and then from \$4 to \$6?

Mr. SCHWERIN. Yes.

Mr. HARDY. Did you have some kind of a readjustment with those parties and the Kosmos people when you raised to \$4?

Mr. SCHWERIN. No. I think that resulted from a discussion with the Government authorities here about the rates to San Francisco versus the rates to New York. There was a complaint of the Panama Railroad that we were diverting business from Central America to San Francisco on account of the low rates we were charging as against the movement of coffee from the west coast of Central America over the Government line to New York, and they wanted us to raise our rates so as to equalize via San Francisco.

Mr. HARDY. Who wanted you to raise your rates?

Mr. SCHWERIN. The Government line—the Panama Railroad.

Mr. HARDY. And they themselves came to you to get them equalized?

Mr. SCHWERIN. Yes. You understand, Judge, the coffee rates via San Francisco did not depend alone on the movement of coffee to San Francisco.

Mr. HARDY. Another thing: I want to understand whether the Government came to you to make an agreement to regulate the rates?

Mr. SCHWERIN. Oh, yes; the Government came to us over and over again.

Mr. HARDY. To fix the rates?

Mr. SCHWERIN. Yes.

Mr. WILSON. Who was the representative of the Government in this instance?

Mr. SCHWERIN. Mr. Drake and Mr. Patterson.

Mr. HARDY. Do you see any particular harm in making an agreement with other people, if you make an agreement with the Government itself?

Mr. SCHWERIN. I do not see any harm if you can make it stick; but the trouble is you can not make it stick.

Mr. HARDY. If there is not any harm, why is it you are afraid to have an agreement with the Kosmos people? If there is not any harm, why is it you have not discussed the matter with them freely and made an agreement? That is what you want to do.

Mr. SCHWERIN. No.

Mr. HARDY. You do not want to agree with your competitor so as to avoid cutting rates?

Mr. SCHWERIN. Well, it is a very difficult thing for me to answer your question, because our situation has become very peculiar. I have about made up my mind that the Pacific Mail has got to go out of business anyway, and the traffic manager has been instructed to go out and get business. The rates were absurd and ridiculous and did not pay.

Mr. HARDY. It is really a fact that you do not want any agreement with other parties?

Mr. SCHWERIN. Yes; we would prefer not to work on the line of an agreement.

Mr. HARDY. You would prefer to hustle and compete for trade?

Mr. SCHWERIN. Oh, yes.

Mr. HARDY. You absolutely desire to underbid the other fellow and get freight?

Mr. SCHWERIN. I want to fill the ship, and I want to fill it on a revenue basis. From the west coast of Central America Europe gets 70 per cent of all coffee, and then the other 30 per cent is divided

between San Francisco and New York. Now, the Panama Railroad used to handle 90 per cent of that coffee.

Mr. HARDY. Is that Central or South American coffee?

Mr. SCHWERIN. That is Central American coffee. The Panama Railroad handled 90 per cent. Ten per cent went to San Francisco, and the other 90 per cent was divided between New York and Hamburg. The rates via San Francisco were abnormally low, and it was pulling coffee away from the Isthmus route, and there has always been a question between the European end of it and the New York rate whether you can ship coffee from Central America via the Isthmus to New York and transship, or via European line from Colon, or via the Puerto Barrios Road and the Tehuantepec Road and be able to meet your competitors. The haul from the coffee district to Salina Cruz is about 280 miles as against 1,400 miles to the Isthmus of Panama, so when the Salvadorean railroad, and the National Railroad of Mexico, started in the coffee district to haul the coffee to Salina Cruz and via that route to Europe, and in connection with the American-Hawaiian Line to San Francisco via Salina Cruz, the Panama Railroad Co. saw their business going away, and an issue was raised in relation to our San Francisco rates. They wanted us to raise the rates to San Francisco. Mr. Keith, of the Guatemala Central insisted on the rates being made the same to San Francisco as to New York, or he would cut the rate via the Guatemala, Puerto Barrios, and United Fruit Co.'s steamers to New York. The whole is a very involved situation—

Mr. HARDY. It seems also that all the parties interested talked the matter over about the rates.

Mr. SCHWERIN. A European conference has controlled these coffee rates and has handled them for 20 years, and has made them for 20 years, absolutely.

Mr. HARDY. And then they came in to talk with you about it?

Mr. SCHWERIN. We sent a representative to London, the Panama Railroad sent a man to London. The Government sent Gen. Edwards. He went over as the representative of the Panama Railroad Co. to this London conference, as a party to the London agreement.

The CHAIRMAN. Who are the parties to that London conference?

Mr. SCHWERIN. The Royal Mail, the Hamburg-American Packet Co., the Pacific Mail Steamship Co., the Panama Railroad Co. Steamship Line, those are the principal carriers. I do not remember the names of the others, and the Tehuantepec Railroad.

The CHAIRMAN. And the Panama Railroad?

Mr. SCHWERIN. The Panama Railroad and the Panama Steamship Co.

Mr. POST. And the United States Government?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. The United Fruit Co.?

Mr. SCHWERIN. The United Fruit Co.

The CHAIRMAN. In that conference the rates were fixed?

Mr. SCHWERIN. The rates to Europe were fixed.

The CHAIRMAN. And the rates to New York?

Mr. SCHWERIN. The rates to New York were practically adjusted, based upon the European rates.

The CHAIRMAN. But they were not fixed to San Francisco?

Mr. SCHWERIN. No; we declined to be governed in our San Francisco rates by the European conference.

The CHAIRMAN. On this question we have information from the consul at Salvadore, Central America, to this effect:

The Pacific Mail Steamship Co., the Kosmos Line, and the steamers of the Salvador Railway Co. are cocarriers with the West Indian and Atlantic combine, mentioned on page 9 of the report of the Royal Commission on Shipping Rings (ed. 4669), 1909, issued by the British Government, and consequently grant rebates, but this is done only under certain circumstances on coffee exportations. There are no other kinds of rebates or special privileges granted. Every year the Pacific Mail Steamship Co. and the Kosmos Line form an agreement for the purpose of fixing rates and tariffs, particularly on coffee exportations, and these rates and tariffs are conformed to by the steamers of the Salvador Railway Co. It may be seen that competition is destroyed by agreement by the first two companies mentioned, which operate steamers between Salvadorian and American ports, and that competition could exist, but does not, between these two companies and the companies last named, which is engaged in the foreign-carrying trade of the United States between Salvadorian ports and Salina Cruz, Mexico, because it chooses to conform to the fixed rates and tariffs.

The CHAIRMAN. You say that information is not correct?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Then, again—

Mr. SCHWERIN. Judge, don't put me in wrong here. Where did you get the impression that I have stated that that statement is incorrect?

The CHAIRMAN. I asked you if it is correct or incorrect?

Mr. SCHWERIN. It is correct. I thought I understood you to say that "your statement is incorrect."

The CHAIRMAN. The statement made by the consul at Salvador.

Mr. SCHWERIN. The statement made by the consul at Salvador that the Kosmos Line and the London conference fixed the rates on coffee from the west coast of Central America to Europe is absolutely correct, and the terms—the rate on cleaned and husked coffee is made, and the amount of rebate according to the amount of coffee shipped is fixed. The Tehuantepec Railroad is a member of that conference, and the Salvadorian Railroad is the west coast connection of the Tehuantepec Railroad as we are of the Panama Railroad. The Kosmos Line handles this coffee via the Straights of Magellan, and has always been looked upon as a differential route; for instance, if the coffee rate was made 80 shillings, the Kosmos Line would demand that their rate would be, say, 60 shillings, or 20 shillings less than the conference rate, on account of their longer haul. In that conference in London the Tehuantepec Railroad represents the Salvadorian Steamship Co., so if the Tehuantepec Railroad agrees to these rates to Europe, naturally the rates quoted by the Salvadorian Steamship Co. would be exactly the same rate as the representative of the Panama Railroad Co. would agree to in London, and which would be our rate via Panama, we serving Panama, the Salvadorian Railroad serving Tehuantepec. Those rates would be exactly the same, though the Salvadorian hauled the coffee north and we hauled the coffee south. The United States is a party to that and the United States fixes our rate. They go over to London and have gone over to London every year. I do not know whether they went over this year or not, but every year for 20 years they have a representative in London as regards these coffee rates.

The CHAIRMAN. But that rate does not operate north to San Francisco?

Mr. SCHWERIN. Nothing whatever to do with that. Whatever rate the Salvadorian Steamship Co. may quote to San Francisco I know nothing about. They can quote anything they please.

The CHAIRMAN. The same as the Kosmos Line?

Mr. SCHWERIN. The same as the Kosmos Line.

The CHAIRMAN. And this agreement, as I understand you, only applies to European shipments?

Mr. SCHWERIN. European shipments.

Mr. HARDY. The Government, then, of the United States is not a party to any agreement fixing rates to the United States, but is a party fixing rates to Europe?

Mr. SCHWERIN. The Government is a party to the agreement fixing the rates to the United States, so far as business may originate on the west coast of Central America and be destined to New York City, carried over the Panama Railroad and the Panama Steamship Line.

Mr. HARDY. The Government now enters into agreement with these various companies as to rates from South American ports to New York?

Mr. SCHWERIN. Yes; and with us to New York?

Mr. HARDY. And with you to New York?

Mr. SCHWERIN. Yes.

Mr. HARDY. So that your rates are agreed on except to San Francisco?

Mr. SCHWERIN. Yes.

Mr. HARDY. Why is it you left out San Francisco in that agreement—that you were willing to agree as to other ports but not as to San Francisco?

Mr. SCHWERIN. There has practically been no competition from the west coast of Central America to New York City, as there has been from the west coast of Central America to San Francisco. For instance, the Canadian Steamship Co. had a line of steamers running from Vancouver to the west coast of Central America. I think they are off now. Jebson had a line of steamers running from the west coast of Central America to San Francisco and Puget Sound. We were all fighting for the coffee business, and this coffee in fact comes down to these loading ports and is held there in godowns, and it has to be sent over a wharf and lightered out to the ship. If the company is a responsible company, and they have solicitors all through the coffee districts, and they can get hold of the shipper that has got any coffee in that port, and offer him a rate for his coffee, that coffee will move. So it has been a bone there that we have all fought for, and that has been the one big commodity of the coast—to move coffee.

The CHAIRMAN. We also have advice from the vice consul at Mazatlan in Mexico to this effect:

That the only agreement existing between steamship companies at this port is a tariff of freight rates between this port and San Francisco, Cal. This is done by special agreement between the companies. The parties to this agreement are the Pacific Mail Steamship Co., American; Kosmos Line, and the Jebson Line. A copy of the freight rates is inclosed.

What do you say as to that information being correct or not?

Mr. SCHWERIN. I do not know anything about it. It is the first intimation I have that any such arrangement exists there. I have never heard of any, not even a friendly discussion between the Jebson Line and any people in the Pacific Mail Steamship Co.

The CHAIRMAN. This refers to the Pacific Mail?

Mr. SCHWERIN. We were fighting with them; we hit each other whenever we could, and I suppose our agents are imbued with the same idea.

The CHAIRMAN. This refers also to the Kosmos Line?

Mr. SCHWERIN. I do not know what we draw from Mazatlan to San Francisco. It must be a very small tonnage.

Mr. STEPHENS. There is no particular production at Mazatlan!

Mr. SCHWERIN. Not that I know of.

The CHAIRMAN. Are there any rebates allowed to shippers on freight moving from Mexican or Central American ports to the Pacific coast, particularly to San Francisco?

Mr. SCHWERIN. I do not think so, now.

The CHAIRMAN. Were there at any time?

Mr. SCHWERIN. Oh, yes.

The CHAIRMAN. When did that cease?

Mr. SCHWERIN. I could not tell you that.

The CHAIRMAN. Give us some idea.

Mr. SCHWERIN. I could not tell you that.

The CHAIRMAN. Did they not exist in 1912?

Mr. SCHWERIN. I would much rather get the data for that, Mr. Chairman, than to attempt to rely upon my memory.

The CHAIRMAN. Will the data be set forth in the report to be made by the company?

Mr. SCHWERIN. If those questions are asked, it will be.

The CHAIRMAN. Will you look it up for us especially, and if they are not included in that report inform us?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. At your earliest convenience, please. I believe you say there are about six principal merchants in San Francisco who handle coffee. How many are there in Central America who handle coffee?

Mr. SCHWERIN. A large number of people in Central America handle coffee, but the importing firms in San Francisco are about 6 or 10, somewhere between 6 and 10.

The CHAIRMAN. Have you any special contracts with them?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. You have no contracts with them in writings at all?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Nor verbal contracts?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Tell the committee whether or not between merchants you grant discriminating rates.

Mr. SCHWERIN. Not to my knowledge.

The CHAIRMAN. Do you make any difference between the large and small shippers in rates?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. They all enjoy the same rates?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Both as regards outgoing and incoming freight?

Mr. SCHWERIN. There may be times when we are after a bunch of freight when we will cut the rates. There is nothing to prevent it.

The CHAIRMAN. Are any contracts made with coffee exporters from Central America?

Mr. SCHWERIN. Where to, sir?

The CHAIRMAN. Why, to San Francisco.

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Have you any agreements with merchants in Mexico?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. What are your relations with the railroads in Central America?

Mr. SCHWERIN. Very unfriendly.

The CHAIRMAN. Have you any traffic agreements?

Mr. SCHWERIN. No, sir.

Mr. STEPHENS. I understood you to say that there is no discrimination as to rates between shippers in San Francisco?

Mr. SCHWERIN. You are speaking of Central American and Mexican business?

Mr. STEPHENS. Yes, sir.

Mr. SCHWERIN. No, sir.

Mr. STEPHENS. Do you make the same rate per bag on lots of 10 bags as on lots of 1,000 bags?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Has your company any relation with any other company in the trade from the Pacific coast to the west coast of South America?

Mr. SCHWERIN. Not to my knowledge.

The CHAIRMAN. What other company than yours trades to the west coast of South America?

Mr. SCHWERIN. The Kosmos Line.

The CHAIRMAN. Any others?

Mr. SCHWERIN. Grace & Co. once in awhile have a vessel bound down.

The CHAIRMAN. Is your company, firm, or line, or has it been within, say, five years, a party to any agreement or agreements or any understandings with the Kosmos Line, Grace & Co., or any other line as regards either the freight or passenger traffic to or from the United States and the west coast of South America?

Mr. SCHWERIN. I know that they have had no arrangement with any line with reference to the passenger service, but in regard to freight I could not say.

The CHAIRMAN. Who would know? Who connected with your company would have that information?

Mr. SCHWERIN. If that is a question you ask me, I could obtain the information and let you know, sir.

The CHAIRMAN. Will you do so?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Of course, I will say this: We have the rates of the two lines from the Pacific coast to the west coast of South America, and they, like the rates from San Francisco to Mexico and Cen-

tral American ports, are identical. Was the Pacific Coast Steamship Co. in the Central American trade for awhile?

Mr. SCHWERIN. They ran a vessel called the *Curacoa* from San Francisco up the Gulf of Lower California.

The CHAIRMAN. When did it give up that trade?

Mr. SCHWERIN. Some time within the last year, I believe. I have not paid very much attention to it.

The CHAIRMAN. Did it go out of that trade by virtue of any understanding or agreement with the Pacific Mail Steamship Co.?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. What are its relations to the Pacific Mail Steamship Co.?

Mr. SCHWERIN. It has no relations with the Pacific Mail, except in the business that might originate on Puget Sound and would be turned over to us for carriage to Central America, or that might originate in Central America and be turned over to them for delivery to Puget Sound.

The CHAIRMAN. That line trades from the Puget Sound district to San Francisco?

Mr. SCHWERIN. It has a line of steamers from Puget Sound to San Francisco, San Pedro, and San Diego—a coastwise line.

The CHAIRMAN. Do your steamers trade from San Francisco to San Pedro and San Diego also?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Your line also trades to the Orient, does it not?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Tell the committee, briefly, to what ports.

Mr. SCHWERIN. Do you wish anything further on the line from San Francisco to Balboa, the direct service?

The CHAIRMAN. If you have anything further to say with reference to that you may do so.

Mr. SCHWERIN. Except that you may wish me to explain the three branches of the service; that is all.

The CHAIRMAN. You may do that, then, before we leave this subject.

Mr. SCHWERIN. We have a direct service from San Francisco to Balboa that handles freight in connection with through tonnage to New York City, to the West Indies, and the west coast of South America, locally, to the Isthmus of Panama. This line is working under an agreement for the maintenance of rates with the Government, the Government having put rates into effect and held that the two carriers on the Pacific—the California & Atlantic and the Pacific Mail Steamship Co.—must maintain those rates east and west bound under threat of cancellation of through-billing privilege. They also wanted us to enter into an arrangement with the American-Hawaiian Steamship Line by which the American-Hawaiian Line would maintain the same rates by way of Tehuantepec maintained by way of Panama, and we declined to do it on the ground that it was contrary to the Sherman antitrust law; so that the American-Hawaiian Line was practically told that if they undertook to cut rates that the Government would put their own line on the Pacific and would put the Treasury of the Government behind their own line to make the American-Hawaiian Line maintain their rates.

The CHAIRMAN. In other words, the American-Hawaiian Co. now maintains rates with your company and with the Government line?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. And that was at the instance of the Government?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. And involved traffic to what points?

Mr. SCHWERIN. All Pacific coast ports of the United States and to all Atlantic coast ports of the United States.

The CHAIRMAN. Tell the committee what ports in the Orient are reached by your lines and what other lines operate in the same territory.

Mr. SCHWERIN. San Francisco to Honolulu, Honolulu to Yokohama, Yokohama to Kobe, Kobe to Nagasaki, Nagasaki to Shanghai or Manila, Manila, Shanghai, and Hongkong, or Manila to Hongkong and return voyage. On this same route, following exactly are the steamers of the Toyo Kisen Kaisha—Japanese Imperial Steamship Line—and over the same route, out of Puget Sound, are the steamers of the Nippon Kisen Kaisha, the Holt Line or the Blue Funnel Line, the Bank Line of Andrew Weir & Co. of London and Liverpool, and the Canadian Pacific Line, and one steamer belonging to the Great Northern Railway Co., the *Minnesota*.

The CHAIRMAN. How many of those trade from San Francisco to the Orient and from the Orient to San Francisco?

Mr. SCHWERIN. The Toyo Kisen Kaisha is the only one.

The CHAIRMAN. And the Pacific Mail?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. How many of them trade from the Puget Sound district and Seattle?

Mr. SCHWERIN. Four, and the *Minnesota*. You could hardly call that a line. It is one steamer.

The CHAIRMAN. That is the steamer which belongs to the Northern Pacific?

Mr. SCHWERIN. It belongs to the Great Northern Railway Co.

Mr. WILSON. It runs between given points, does it?

Mr. SCHWERIN. Yes, sir; runs out to the Orient just the same and back again.

The CHAIRMAN. You may state if your company or line at this time or at any time within five years past has been a party to any agreement or agreements or any understandings with any of the other steamship lines with regard to either the freight or passenger traffic to and from the United States to the ports named, or any of them?

Mr. SCHWERIN. For 20 years we have had an understanding with the Apgar Line on gunnies from Calcutta to Pacific coast points, and all the lines operating across the Pacific have worked under that agreement.

The CHAIRMAN. Tell the committee what that agreement is.

Mr. SCHWERIN. That is a contract for the movement of gunnies at a certain rate, provided it is shipped in certain quantities, which has varied from the contract system down to the deferred rebate system. At the present time it is the deferred rebate system.

The CHAIRMAN. I did not catch that last remark.

Mr. SCHWERIN. At the present time it is the deferred rebate system.

The CHAIRMAN. That is between the different lines and the shippers?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. And what is the agreement between the lines themselves?

Mr. SCHWERIN. I think they all work under this deferred rebate system. I was going to explain that this is the only arrangement that there is on the out-port business beyond Hongkong. At Hongkong there is a Hongkong freight bureau of which all the lines in this service are members, and they publish a tariff. That tariff is used in connection with the railroad rates of the United States, which are under the jurisdiction of the Interstate Commerce Commission, and these ocean rates, plus the authorized rail rates from the United States, make the rate for carload and less than carload lots to interior points in the United States and Canada. There is an arrangement of the same kind in Japan, to which all are parties. They publish the Japan tariff, and with the United States legal rates they make the rates from Japan to interior points of the United States.

The CHAIRMAN. They also have port to port tariffs?

Mr. SCHWERIN. They have. They only have a port to port tariff in Japan. There is no port to port tariff that I know of in China. These lines work under the deferred rebate system.

The CHAIRMAN. On traffic both ways?

Mr. SCHWERIN. No, sir; only on traffic from the Orient to the United States. We have no arrangement with anyone, and have not had to my knowledge on traffic originating in the United States destined to the Orient.

The CHAIRMAN. That is, no rebate agreement or arrangement?

Mr. SCHWERIN. No arrangement with any other carriers by which we fix rates or agree on rates, or anything of that kind; nor are we members of any organization.

The CHAIRMAN. That practice and the agreements relate to east-bound traffic?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. To Pacific coast ports from the Orient?

Mr. SCHWERIN. Yes.

The CHAIRMAN. And there are no such agreements on the traffic from the Pacific coast to the Orient?

Mr. SCHWERIN. That is correct.

The CHAIRMAN. With any of these lines?

Mr. SCHWERIN. That is correct.

The CHAIRMAN. The rates are uniform, however, are they not?

Mr. SCHWERIN. I can not say as to that. That is a very complicated situation.

Mr. HUMPHREY. Is there any arrangement or agreement between you and the Toyo Kisen Kaisha that runs from San Francisco, in regard to the fixing of your freight rates?

Mr. SCHWERIN. I do not know whether you would call it an arrangement or not. It seems I have not been able to make myself clear, to Judge Hardy's satisfaction, in relation to the Central American business. I may make myself still more misunderstood in relation to this business from San Francisco to the Orient. The Pacific Mail and the Toyo Kisen Kaisha had rail connections out of San Francisco with the Southern Pacific and the Santa Fe. When

the Interstate Commerce Commission ordered the railroads to publish their proportional rates, and the lines serving San Francisco declined to do so, our business ended; it was chopped right off and we did not have a pound of freight, because the rail-and-water rates through the Pacific coast gateway as against the all-water route through the Suez were prohibitory. The western classification rates applied, and if you took those rates and added them to the ocean rates, they were twice what the rate was via the Suez, and in some cases three times.

The CHAIRMAN. Make that more definite; to what points?

Mr. SCHWERIN. Points in the Orient—Japan and China. In other words, the bulk of the business that moved by rail through Pacific coast gateways originated in territory east of Chicago, and we were competitors via the Pacific coast gateways with the all-water route via Suez.

The CHAIRMAN. That is for freight originating on the Atlantic seaboard?

Mr. SCHWERIN. Yes; especially in the Pittsburgh territory. When the railroads declined to publish their proportional rates, the rates applying to the Pacific coast were the local or domestic rates plus the ocean rates. To make our rate to the Orient, we would have to add to that local or domestic rate the ocean rate, which made a prohibitory rate as against the all-water route through the Suez; so all business moved through the Suez.

The CHAIRMAN. From the Pittsburgh district they moved by rail to the Atlantic seaboard and thence by water to the Far East?

Mr. SCHWERIN. Yes; and that is about a 12.5-cent rail rate—a very small rate from Pittsburgh to tidewater.

Mr. HARDY. The proposition is that prior to this requirement of the Commerce Commission, the railroads got a proportion of the rate between you and them when they carried goods to the Pacific coast of just whatever you agreed on?

Mr. SCHWERIN. Yes. We had an agreed division of rates on outward business. The railroads, on business which they originated, had two-thirds and we one-third of whatever the rate was.

Mr. HARDY. And that two-thirds that the railroads had was much less than the local rate of freight?

Mr. SCHWERIN. Oh, yes; it had to be.

Mr. HARDY. And they declined and left the local rate in force?

Mr. SCHWERIN. Any other rates they had in force than the rates filed with the Interstate Commerce Commission were not legal rates. The rates filed with the Interstate Commerce Commission were the only legal rates, and therefore all other rates became illegal.

Mr. HARDY. So they declined to publish in accordance with this order the proportional rates, and left the local rates in force?

Mr. SCHWERIN. Yes.

Mr. HARDY. That made twice what their rates were.

Mr. SCHWERIN. Yes; and three times in some cases.

Mr. HARDY. When did it happen that your freight was cut off in that way?

Mr. SCHWERIN. I think about 1906 or 1907.

Mr. HARDY. You have had none of that freight since then?

Mr. SCHWERIN. I am going to try to explain it to you, if you will allow me.

Mr. HARDY. That is what we are here for.

Mr. SCHWERIN. Later on the Western Pacific built to San Francisco and the Toyo Kisen Kaisha made a traffic agreement with the Western Pacific by which they gave their business exclusively to the Western Pacific, and the Western Pacific was to give their business exclusively to the Toyo Kisen Kaisha, which is contrary to the rule of the Interstate Commerce Commission.

The CHAIRMAN. What is the Western Pacific?

Mr. SCHWERIN. The Western Pacific is a connection of the Denver & Rio Grande to San Francisco.

Mr. WILSON. A Gould road?

Mr. SCHWERIN. A Gould road. They developed no business, and I found that they had this contract and the Western Pacific had published proportional rates. I did not like the idea of our being off the map at that time, so I saw the agent in New York of the Judson Freight Forwarding Co., and I told Mr. Hall, their manager in New York, that he could go after this oriental business and could go as low as \$2 a ton for the ocean proportion. So we began to develop freight, and for that we got \$2 a ton for carrying it from San Francisco to the Orient. I always felt that the railroads would eventually publish proportional rates, and if we were out of this business we would lose all of our connections with the shippers and with the consignees in the Orient and it would be very hard work to get in contact with them again if the railroads did open that gateway. We slowly began to develop a little business, and finally the Western Pacific discovered they had oriental business on their lines, and they declined to give the Pacific Mail that business, claiming that under the contract they were compelled to give it to the Toyo Kisen Kaisha. So I fought that question out with them (even if we took it into the courts), claiming that I had originated this freight, and under the law had a right to ship it over any railroad in the United States and have it delivered to any steamship company—and so it was our freight. Finally they agreed to give it to us. Meanwhile I suppose they got after the Toyo Kisen Kaisha and worked them up as to why they did not get some freight. So, Mr. Avery, of that line, came to me and said he would do one of two things: He would either establish his agency in the East the same as I had, because the railroads themselves did not seem to be able to start any business, or he would make the Judson Forwarding Co. their general agent and let the freight go to any steamer on the berth at the time the freight arrived in San Francisco. I said that was perfectly agreeable to me, and that is the way the matter is working now, and Mr. Hall has authority from me—I do not know what authority he has from Mr. Avery—that he can go as low now as \$3 a ton, and I think we are handling about 5,000 tons of freight per month on that basis. It is absolutely unremunerative tonnage.

The CHAIRMAN. It inures to the benefit of the shipper?

Mr. SCHWERIN. I do not believe the shipper gets any particular benefit out of extremely low rates.

The CHAIRMAN. I mean, if there is any profit it is to him; it is not to the steamship company.

Mr. SCHWERIN. No; because he can ship to-day with the Osaka Shosen Kaisha. For instance, the New York & Puget Sound Line publish proportional rates which are lower than the Western Pacific, and they connect with the Osaka Shosen Kaisha, a subsidized Japanese line, and we would not meet the \$3 rate if we were not forced to via the Puget Sound and Osaka Shosen Kaisha. So, you can make a rate of \$10 from New York to Yokohoma, and if the proportion of that rate of \$10 accruing to the Western Pacific is higher than it is on the Puget Sound Line, then the Pacific Mail or the Pacific Ocean carrier via San Francisco, must shrink that difference in order to give the Western Pacific the full proportion which it has filed with the Interstate Commerce Commission, and which it must collect. So we shrink the ocean proportion to meet the through rate via the Osaka Shosen Kaisha and the Milwaukee & Puget Sound Line.

The CHAIRMAN. The report of the Toyo Kisen Kaisha to us is to the effect that there is an arrangement between that company and the Pacific Mail Steamship Co. that the vessels of the respective companies shall alternate in their sailings from San Francisco. Is that your understanding?

Mr. SCHWERIN. Well, they do not alternate in their sailings. They operate under what is called a joint schedule.

The CHAIRMAN. What is that?

Mr. SCHWERIN. You could hardly alternate your sailings, when we are operating seven ships and they are operating four.

The CHAIRMAN. You mean it would not be practicable for each one to send out a ship alternately?

Mr. SCHWERIN. Yes. We have a sailing every eight days from San Francisco, and that is why we had built up the great movement of tonnage from San Francisco, because the shipper knew that if he lost one steamer he could get the next steamer, and there was a regular stream of freight going from that port; whereas the other lines loading to Puget Sound, sometimes had all their steamers leave the same day.

The CHAIRMAN. I am not asking about the arrangement; I want to know if that is the fact.

Mr. SCHWERIN. That is the fact.

Mr. WILSON. Is your arrangement for through sailings?

Mr. SCHWERIN. Yes.

Mr. HUMPHREY. That is the arrangement you meant when you said alternate sailings?

Mr. SCHWERIN. It is what is ordinarily known as joint schedules.

The CHAIRMAN. We received from that company this trans-Pacific mail tariff No. 2, rates of freight from San Francisco to Japan, China, Korea, Siberia, Philippine Islands, and so forth; also the Pacific Mail Steamship Co.'s trans-Pacific freight tariff No. 15, rates of freight from San Francisco to Japan, China, Korea, Siberia, Philippine Islands, and so forth. Those tariffs are identical in the schedule of commodities and the rates of freight from San Francisco to points named. So you have an agreement with them as to your tariffs from San Francisco to the points named, have you not?

The CHAIRMAN. This is local.

Mr. SCHWERIN. I know this is local.

The CHAIRMAN. We have the tariffs in connection with railroads, also?

Mr. SCHWERIN. Either on inward or outward business.

The CHAIRMAN. Who made these tariffs?

Mr. SCHWERIN. If that is the Pacific Mail tariff—if it has my name on it, it is authorized; if Mr. Garland's name is on it, it is an authorized tariff.

The CHAIRMAN. Just look at it [handing tariff to the witness].

Mr. SCHWERIN. The Toyo Kisen Kaisha has always, since they have been there, quoted exactly the same and published the same tariff as the Pacific Mail Steamship Co.; for years we were the agents of the Toyo Kisen Kaisha in America, and handled all their business for them.

Mr. HUMPHREY. As I understand you, they publish the same tariff, but they do not carry the same rate all the time—but they cut from the published tariffs?

Mr. SCHWERIN. We know they do.

Mr. WILSON. Do you also cut from the published tariffs?

Mr. SCHWERIN. Yes, sir. There has got to be a tariff; there must be a tariff; people must have some idea as to what the rates are. The public demands a general idea of rates, and a carrier will try to get those rates if he can, but he is not going to let his ship sail with a bunch of freight lying on the dock, because he can't get through rates. The shipowner if he knows there is a bunch of freight is not going to let it go by simply because he published that tariff, and not take it. I assure you, gentlemen, that it is not contrary to law. If the Toyo Kisen Kaisha and the Pacific Mail Steamship Co. would agree to maintain the tariff, and we would see that the tariff was maintained by some arrangement between us, that is contrary to the law; but, while they will publish the same tariff and have a perfect right to publish the same tariff in order to guide the public, it does not follow they have to keep that tariff. There is no law that they shall keep that tariff.

The CHAIRMAN. Do you live up to your tariff?

Mr. SCHWERIN. I should not say we always did; no, sir.

The CHAIRMAN. I have before me the Trans-Pacific Tariff Bureau's Freight Tariff No. 10, effective June 1, 1912.

This tariff contains the individual rates, rules, and regulations of each company, respectively, but is subject to change by each company without the consent of any other company whose name appears hereon. Applying via Canadian Pacific Steamship Line, Nippon Yusen Kaisha, China Mutual Steam Navigation Co. (Ltd.), Ocean Steamship Co. (Ltd.), Great Northern Steamship Co., The Bank Line (Ltd.), and the Osaka Shosen Kaisha from Portland, Oreg., Tacoma, Seattle, Wash.; Victoria, Vancouver, and New Westminster, British Columbia, to Asiatic common points, viz., Yokohama, Kobe, Negashi, Mosji, Japan; Shanghai, China; Hongkong; Manila, P. I.

Two of these lines inform us that these rates are generally conformed to, and a comparison of these schedules in this freight tariff, No. 10, of the rates with those from San Francisco east show that they are identical. You say those tariffs are not made in conference?

Mr. SCHWERIN. No, sir. If they are railroad tariffs, they are made in conference; if they are not railroad tariffs, they are not made in conference.

The CHAIRMAN. They are all trans-Pacific bureau tariffs?

Mr. SCHWERIN. We have nothing to do with this freight bureau.

The CHAIRMAN. I notice your line is published as a party to it?

Mr. SCHWERIN. Where? [Referring to tariff.] No, sir; we are not a party to this.

The CHAIRMAN. What kind of an organization is this trans-Pacific tariff bureau?

Mr. SCHWERIN. I do not know anything about it; I have nothing to do with it and always declined to join it.

The CHAIRMAN. What is your understanding as to where it meets?

Mr. SCHWERIN. I understand they had an organization at Seattle very much the same as those freight bureau organizations in China; they had a secretary and every line's representative was a member of the bureau, and they met and discussed various rates, and the secretary compiled these tariffs.

The CHAIRMAN. Is there a tariff bureau of that kind on the Pacific as well as in China?

Mr. SCHWERIN. This is one on the Pacific coast; only so far as these lines are concerned, the Pacific Mail is not a party to it.

The CHAIRMAN. The Pacific Mail's name is on that tariff, is it not [handing tariff to witness]? Not on the one from Tacoma, but on the other.

Mr. SCHWERIN. This is our own tariff. There is no party tariff in that, sir. This is our own individual tariff, issued by authority of this company, sir.

The CHAIRMAN. But the rates of the Toyo Kisen Kaisha from San Francisco are the same as your rates, according to their published tariff?

Mr. SCHWERIN. I have nothing to do with the tariff of the Toyo Kisen Kaisha. They can publish any tariff they like; they are an independent organization, and I do not believe they are members of the Pacific coast bureau.

The CHAIRMAN. And the rates of the lines named in freight tariff No. 10, issued by the Trans-Pacific Tariff Bureau are identical with the rates issued by your company and the Toyo Kisen Kaisha from San Francisco to the Orient, and you say those rates are not fixed by agreement between the companies and that the Pacific Mail is not a member of that tariff bureau?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Neither in the United States nor in China nor Japan?

Mr. SCHWERIN. Oh, no; I did not say that at all.

The CHAIRMAN. Now, what is the fact?

Mr. SCHWERIN. I said that the Pacific Mail Steamship Co. was not a member of the Pacific Tariff Bureau, with headquarters in Seattle or Tacoma; I do not know but that it was a member of the Japan Tariff Bureau, and that it was a member of the China or the Hongkong Tariff Bureau, but so far as—

The CHAIRMAN. You say "was." You mean "is"?

Mr. SCHWERIN. Is. But, so far as the business from the United States to the Orient is concerned, it is not and never has been a member of any trans-Pacific bureau.

The CHAIRMAN. Is not in any conference with those lines in the trade westward?

Mr. SCHWERIN. I have no doubt but what there has been correspondence for years backward and forward as to possibilities and conditions of trade, etc. I have no doubt but what our traffic men ask people up in the North in regard to the flour rate. I know myself that I put the flour rate at a dollar a ton, and kept it there two years, until I put Dodwell out of the flour business. He was running a steamship company and a flour business at the same time, and he had to quit one or the other. Of course we discussed those things. It would be absolutely impossible not to discuss them.

What I want to impress upon this committee is that that tariff is made without any regard to discussion with anybody else on the Pacific.

Mr. HARDY. When you do discuss them, how do you keep from agreeing or disagreeing?

Mr. SCHWERIN. As I say, that is done without any discussion.

Mr. HARDY. First, you discuss them with these other parties?

Mr. SCHWERIN. Oh, discuss the rate—a rate on a different—

Mr. HARDY. When you discuss rates, how do you discuss them without agreeing or disagreeing? In the discussions, do you not agree?

Mr. SCHWERIN. In the old days when the steamship companies and the railroad companies used to come together, we used to sit down and discuss the whole question. I have been at meetings where there were 40 men—men came over here from the Orient, from all over the United States, and all met in San Francisco and spent four or five days going over freight and passenger rates. That is long ago—those days are passed. Since it has been contrary to the law to do this thing, I personally—and I do not know any of my people who have had any discussion in regard to the maintenance of a rate or the making of a rate. I know only the other day that I saw—I had a letter from Portland asking if we could not make a rate from Portland via San Francisco to Hongkong on flour; that the rate out of Portland and Puget Sound—this was from a shipper—was quoted at \$4.50 a ton, and could not we handle the flour via San Francisco at that rate? and I said, "No." That is the first intimation I had that they had raised the rates out of Puget Sound, because the rate had been \$3.50.

Mr. HARDY. The rate—

Mr. SCHWERIN. Wait a moment, Judge. The moment I found that out, I called up there to ask what was the flour rate out of Puget Sound, and when I found they had raised the rate to \$4.50 I told Mr. Garland to make our rate \$4.50 out of San Francisco. I followed right up. I had no discussion with a single traffic man on the face of the earth.

Mr. HARDY. I know, but just when did you put that in? You had just before that stated—

Mr. SCHWERIN. I was speaking of the old days, when we used to get together and discuss these things and say, "What do you think about the rates? Do you think the rates could be made any higher, or do you think the rates ought to be made lower?"

Mr. HARDY. Do you mean to say that lately, however, you have ceased to discuss them?

Mr. SCHWERIN. In the last two years; yes, sir.

Mr. HARDY. I am frank to say I did not understand your testimony to mean that when you first stated it.

Mr. SCHWERIN. Yes, sir; the last two years we have not.

Mr. HARDY. So that now they never speak, when they pass by, about the rates?

Mr. SCHWERIN. I will not—I will not hesitate to sit down and discuss the change of rates with any other traffic man, but I would hesitate to sit down and agree with him that we would make rates, or carry on the conversation upon the lines that we proposed to make rates, or say, "It is all right, you make that rate, and I will make that rate," but we have talked together.

Mr. HARDY. In other words, you do not feel that the law would permit you to make either substantially or definitely an agreement, and therefore you avoid anything that seems like an agreement?

Mr. SCHWERIN. Yes, sir.

Mr. HARDY. And still you happen to fall on to the same rates with the other people?

Mr. SCHWERIN. No; we have not fallen on the rates with the other people. I venture to say that if you will go back through that tariff for 15 years, you will find it almost identically as it is to-day. You will find them the same, and you will find that they are based probably on the rates which the railroads have got to quote, which these steamship lines have furnished to all the railroads, so that the railroads can quote a through rate—the rail rate, plus the ocean rate, to make a through rate to the Orient.

Mr. HARDY. At any rate, you get to be the same—the members of this trans-Pacific bureau and yourselves get the same through rates and the same ocean rates?

The CHAIRMAN. You say then, as general manager of the Pacific Mail, that the rates from San Francisco to the points in the Far East are not the same as from Puget Sound ports?

Mr. SCHWERIN. I do not know what the rates are via Puget Sound ports. I am frank to confess I never saw that tariff until you showed it to me. I never paid any attention to the ports of Puget Sound. They do not concern us in the slightest degree. We never get a pound of freight out of Puget Sound, except as this situation evolved the other day in relation to flour. There is not tonnage enough in the Northwest to carry the flour that is moving to the Orient, and they wanted to get an outlet through San Francisco, in order to move their tonnage. We were jammed full of cotton freight; we could not take any flour.

The CHAIRMAN. Where does that freight originate?

Mr. SCHWERIN. The freight we are moving now originates in the Indian Territory, Texas, and Louisiana—cotton. We have got about 30,000 to 40,000 bales of cotton piled up in San Francisco which we are trying to move to the Orient.

The CHAIRMAN. Where does the freight that goes from Puget Sound ports originate?

Mr. SCHWERIN. The same thing. There is not much cotton going from these ports, but they have flour up there; they have wheat, they have mill products. We have none of those things out of San Francisco. There is no flour moving out of San Francisco to the Orient, except some 50 or 60 tons per steamer of high-grade do-

mestic flour. The Chinese do not use San Francisco flour, and it is a strange thing, talking about these regular lines and rates, that you can not get a tramp steamer to go on the berth in San Francisco and take a bale of cotton at the price we have got to carry it at. They will not touch it for \$1.25 more than we are getting a bale.

The CHAIRMAN. I am not discussing whether or not the rates are reasonable. I am just asking and trying to solve the question as to why the published tariffs are so uniform.

Mr. SCHWERIN. Have you looked to equalize these tariffs with the outward rates?

Dr. HUEBNER. Those tariffs were sent in response to a request to all the lines for their current rates.

Mr. SCHWERIN. Did you look up to see whether these—

Dr. HUEBNER (interposing). And the conditions added as to the smaller ports in the Orient are uniform. In other words, the situation is this, that the rates you quoted and the rates that the Toyo Kisen Kaisha quote are the same, and that comparing those rates as furnished to us in tariff No. 10 for the seven lines operating from Puget Sound to ports in the Orient, we find they are also the same.

Mr. SCHWERIN. Suppose we got up a tariff to go into effect January 20, 1912, and Mr. Avery comes to our traffic manager's office and says, "Mr. Connor, what is your latest tariff?" And Mr. Connor says that is it, and Mr. Avery goes and publishes the same thing. Is there anything wrong in that? Are we to be questioned on any proposition of that kind?

Mr. WILSON. Is that the manner in which those tariffs are made?

Mr. SCHWERIN. I do not know. I say that is the situation. We have always published the tariff for the Toyo Kisen Kaisha, which we were their agents of up to two years ago this winter; then they opened their own offices in San Francisco and handled their own business.

Mr. HUMPHREY. I think there is some confusion here in the minds of the committee, as there is in mine. I wish to ask you, Mr. Schwerin, in order to make it clear: Your published rates, if they are the same—we are going on the assumption they are the same and understand they are—but what I wish to ask you is your published rate, your actual rate? There is no dispute here but what your published rates are the same. Now, the question is whether you vary from them or not?

Mr. SCHWERIN. Our published rates are our actual rates every time we can get them. I can not answer it any better than that.

Mr. HUMPHREY. You can answer this question: Do you vary from your published rates?

Mr. SCHWERIN. In just the same direction that I told you a little while ago, if there was a bunch of freight lying loose we would not let it get away because of our rate; we would not leave it behind.

The CHAIRMAN. Let us take it from the East, the Orient to the Pacific coast—take your line and the Japanese line operating from San Francisco westward, and the seven lines to the Puget Sound district; take those nine lines from the Far East to the Pacific coast—what do you say about whether or not there is any understanding or agreement between them?

Mr. SCHWERIN. Absolutely so.

The CHAIRMAN. Just tell us what that is.

Mr. SCHWERIN. They have a conference where they meet to fix the rates.

The CHAIRMAN. Who are the members of that conference; give the different lines?

Mr. SCHWERIN. In Hongkong the Bank Line, the Blue Funnel Line, the Nippon Yusen Kaisha, the Osaka Shosen Kaisha, and the Toyo Kisen Kaisha.

Dr. HUEBNER. And the Ocean Steamship Co.?

Mr. SCHWERIN. The Ocean Steamship Co., the China Mutual, the Pacific Mail, and the Canadian Pacific.

Dr. HUEBNER. And the Great Northern?

Mr. SCHWERIN. That is the Nippon Yusen Kaisha; they are the agents.

The CHAIRMAN. Where do you say the conference is held?

Mr. SCHWERIN. In Hongkong and Yokohama.

The CHAIRMAN. Who is secretary of the conference?

Mr. SCHWERIN. One of the members of the association. I believe it varies from time to time. There are two bureaus, Mr. Chairman, one of the Hongkong agents, the China agents, with headquarters in Hongkong, and another of the Japanese agents with headquarters in Yokohama. The jurisdiction of the China agents extends over China ports, and the jurisdiction of the Japanese agents extends over the Japanese ports. They do not overlap each other.

The CHAIRMAN. But the nine lines are in conference, are they not?

Mr. SCHWERIN. One is called the Hongkong conference, and the other is called the Japanese conference.

The CHAIRMAN. But there are different groups of agents, as I understand it, that comprise the different conferences?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. The agents of these several lines in China form one conference and the agents of these several lines in Japan form the other conference, do they not?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. And in these conferences they fix the freight rates, the port-to-port rates, and also to inland points in the United States, do they not?

Mr. SCHWERIN. I do not think they have very much to do with the port-to-port rates. Their rates apply more particularly to certain classes of cargoes which move in large volume. For instance, they have nothing whatever to do with our local Chinese business, originating in Hongkong and destined to San Francisco. That is entirely out of their jurisdiction. But take the matter of tea, curios, and matting, which move in large quantity, and that is in competition with Suez lines. They are watching the Suez rates all the time and conferring together to keep the business from all moving via the Suez to the United States—that is, they work together to make the rates flexible, so as to hold a certain portion of that business to the trans-Pacific lines and the transcontinental railroads. That same thing follows in Japan; they are in competition with the all-water route through the Suez to New York and for distribution into the United States, and they are working together against the other conference crowd to swing the business across the Pacific and through the Pacific coast gateways into the interior cities of the United States.

Mr. WILSON. The fellows at Hongkong or Yokohama undertake to regulate the rates going from the United States, do they?

Mr. SCHWERIN. They have nothing to do with them at all.

Mr. WILSON. For the purpose of getting the trade in that direction?

Mr. SCHWERIN. Not at all.

The CHAIRMAN. I have the Trans-Pacific Tariff Bureau, Japan branch, freight tariff No. 2, minimum rates of freight from Japanese ports, Nagasaki, Nogoya, and Kobe, to Pacific coast ports, to Canada, and to the United States, namely, Victoria, Vancouver, British Columbia; Portland, Oreg.; and San Francisco. Now they are applied by the undermentioned lines: The Bank Line (Ltd.), the Canadian Pacific Railway Co., the Royal Mail Steamship Line, the China Mutual Steam Navigation Co., the Great Northern Steamship Co., the Nippon Yusen Kaisha, the Ocean Steamship Co., the Osaka Shosen Kaisha Steamship Co., the Pacific Mail Steamship Co., and the Toyo Kisen Kaisha. I asked you a minute ago if they did not have tariffs that applied only from port to port. This seems to be a tariff of that kind.

Mr. SCHWERIN. Yes; if you had given me a chance to reply, I was going on to tell you we had none from Hongkong, but there was one from Japan.

The CHAIRMAN. We also have a tariff, tariff No. 4, issued by the Trans-Pacific Tariff Bureau, naming the eastbound proportion of rates from ports of call in Japan to or from points in the United States and Canada to which these different lines are parties.

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Do you say there are not the same tariffs from Chinese ports also?

Mr. SCHWERIN. No local tariffs.

The CHAIRMAN. No local tariffs from points in China to points on the Pacific coast?

Mr. SCHWERIN. I do not know what the northern lines do, but we always declined to permit the conference to have anything to do with our local rates, Hongkong to San Francisco.

The CHAIRMAN. But you have through tariffs to inland points, have you not?

Mr. SCHWERIN. Yes; we have to have those; of course the public would not know how to ship if we did not.

The CHAIRMAN. Do the different lines mentioned charge different rates from local ports in China to the ports on the Pacific?

Mr. SCHWERIN. I do not know what they do up north. You see that business is entirely a separate business.

The CHAIRMAN. How is it to San Francisco?

Mr. SCHWERIN. I suppose the Toyo Kisen Kaisha charge whatever is necessary to take the business. That is a bought business, you know, that Chinese freight is really a bought business.

The CHAIRMAN. What do you mean by that?

Mr. SCHWERIN. We pay so much a ton for the business. We pay the Chinese shipper or the broker so much a ton for his business.

The CHAIRMAN. That is where you say you have a deferred-rebate agreement?

Mr. SCHWERIN. No, sir; nothing to do with the deferred-rebate business. I am speaking of the Chinese themselves; I am speaking

of shipping from Hongkong locally to Chinese in San Francisco, which is the best paying tonnage on the Pacific coast. Of course, there have not been as many Chinese up in the Northwest as there have been in San Francisco and immediate territory. So we once enjoyed that large business when we used to have a large number of Chinese; but it is dwindling now. The northern lines tried to break in on that business by carrying tonnage up to Puget Sound and transshipping by coastwise boat to San Francisco, and we would always have to meet that. Chinese shippers always expect to sell their freight upon a brokerage basis, \$1 per ton back, \$1.50 a ton back, or \$2 a ton back, whatever it might be, without regard to the conference lines. That is a local trade to San Francisco, and these northern lines have nothing to do with it.

The CHAIRMAN. The only lines in that conference are your line and the Toyo Kisen Kaisha; is that so?

Mr. SCHWERIN. Well, the Standard Oil Co. takes a wad out of there every once in a while; Mr. Dollar takes a cargo out once in a while; and a tramp steamer will go in there and take a cargo out occasionally.

The CHAIRMAN. Are these tariffs framed by the trans-Pacific tariff bureau in Japan and China lived up to by the conference lines?

Mr. SCHWERIN. Well, the rate on silk is 6 cents a pound; 2 cents goes to the ocean carrier and 4 cents goes to the railroad. The Blue Funnel Line broke the rate and silk went to 4 cents. We carried a million dollars' worth of silk in one of our steamers, which we took at the rate of 4 cents and had the pleasure of paying 60 cents a ton for stevedoring. We got nothing out of it, and when I found this out I cabled our agent in Yokohama that he was to go out of the silk business and not touch any of it except at 6 cents a pound; that they (the other lines) could have it. A damaged bale of silk will cost you \$1,200; they will make you pay for it, although you get no income.

The CHAIRMAN. When was it?

Mr. SCHWERIN. It was a month ago. I know I was offered a lot of tonnage over there at cut rates; for instance, bamboo poles, if I would remeasure them. I declined to do it. I want to say that as far as the Pacific Mail Steamship Co. is concerned, in this business we have gotten our rates, but shipper after shipper has claimed that we ought to meet the conditions of the Japanese lines and give a return. We have declined to do it.

The CHAIRMAN. Do you wish us to understand that the Japanese lines do not live up to the agreement?

Mr. SCHWERIN. I know they were not living up to their agreement, because the movement of tonnage showed it. Whether they are doing it now or not I do not know.

Mr. HUMPHREY. What agreement do you refer to?

Mr. SCHWERIN. The agreement to maintain these rates; there is no secret about this thing, Mr. Humphrey.

Mr. HUMPHREY. That is, coming this way?

Mr. SCHWERIN. Coming from the Orient this way; there is no secret about it. It is a very necessary thing that these agents should meet and watch the Suez lines.

Mr. WILSON. Are copies of that agreement available?

Mr. SCHWERIN. I suppose so.

Mr. WILSON. Will you furnish the committee with a copy?

Mr. SCHWERIN. I will try to. I do not know whether there are any in this country, but I will send out and try to get one.

The CHAIRMAN. Could you procure a copy?

Mr. SCHWERIN. I shall be very glad to do so. There is another thing you have to bear in mind. Gentlemen, we are the only American line on that ocean, and if I do not sit in the game with those fellows, all subsidized lines—take a line like the Toyo Kisen Kaisha, running to San Francisco, they get \$2,000,000 in gold from the Japanese Government—and if I do not sit in the game and take my cards with the rest of them I had better get out altogether.

Mr. HARDY. Do you find any trouble in agreeing with foreign lines as to these eastbound freight rates, you using an American line, do you find any difficulty in making your agreements with these foreign lines?

Mr. SCHWERIN. I should say yes and no. On some things they are very willing to agree, if it suits their interest, and on other things they will say the Government will not let them, or will say the Government says such and such a thing has to be done. They always fall back on the Government.

Mr. HARDY. The point I am getting at is this: Is it any more difficult to agree because you are an American line—if you had a dozen American lines, would you not be just as likely to agree among yourselves as if you had only one? The matter of combination would be just as effectual with American lines on the sea as it would with only foreign lines, would it not?

Mr. SCHWERIN. I think if all the lines on the Pacific Ocean were American lines that it would be an easier task to bring about an understanding between the agents than it is with the Japanese lines and the British-American lines making an agreement.

Mr. HARDY. Then we might be in a worse fix if we had more American lines?

Mr. SCHWERIN. I would like to see the shippers and consumers in a worse fix and have more American lines; personally, I am willing to pay my little tax in order to see that, if it possibly can be done. What I was going to say, Judge, was that the Japanese Government very closely scrutinizes all rates to and from Japan, and if in their opinion the rate on the raw commodity is too high they make the Japanese lines put the rate down, and we have got to drop likewise.

Mr. HARDY. You mean that the Japanese Government assumes jurisdiction to fix the rates on articles from Japan to the United States?

Mr. SCHWERIN. Yes; and from the United States to Japan.

Mr. HARDY. So they do supervise the rates across the ocean?

Mr. SCHWERIN. Their rates are submitted to the Government before the conference publish them.

The CHAIRMAN. The very law under which these lines are subsidized gives the Government that absolute control over their rates?

Mr. SCHWERIN. Yes.

The CHAIRMAN. That is the one thing that no line which ever asked Congress to subsidize it was ever willing to do.

Mr. SCHWERIN. The Japanese Government reduced the rate on tea last year. You know that tea has been a drug on the market here. It was \$1.65, and they reduced it to \$1.35 without looking to see how much Japanese tea there was in the warehouses of the United States;

and the moment that happened there was a terrible roar in Japan, and the guilds went to the Government and protested. But, as I say, it had reduced the rates, and in the meanwhile the Japanese themselves got stuck with a whole lot of tea in storage here which had not moved at the reduced rates.

The CHAIRMAN. Is there any pooling arrangement in this agreement between the lines mentioned?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Do penalties attach for a violation of the agreement?

Mr. SCHWERIN. Not that I know of.

The CHAIRMAN. Did you ever see the agreement?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Or a copy of it?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. I believe you said you would procure us a copy.

Mr. SCHWERIN. I will write for it. Mr. Avery may have a copy, and I will wire him and ask him if he has one.

The CHAIRMAN. Who is Mr. Fitz-Gerald?

Mr. SCHWERIN. I do not know.

The CHAIRMAN. I notice that these tariffs are issued by Mr. M. Fitz-Gerald, Trans-Pacific Overland Tariff Bureau, Yokohama.

Mr. SCHWERIN. I understand some clerk in one of the agencies performs the labor, and is paid so much money for such service, and I presume that is some clerk that has put his name on there.

The CHAIRMAN. Is there anything else done in this conference besides fixing rates?

Mr. SCHWERIN. That is all I know about, sir.

The CHAIRMAN. Were you ever present at one of these conferences?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. Who is your representative in that conference?

Mr. SCHWERIN. Mr. Halton, in Hongkong, and Mr. Campbell, in Yokohama.

The CHAIRMAN. Give their names in full.

Mr. SCHWERIN. Fred Halton.

The CHAIRMAN. And his station?

Mr. SCHWERIN. Hongkong.

The CHAIRMAN. And the other gentleman?

Mr. SCHWERIN. I will furnish you his initials.

The CHAIRMAN. Have you any understanding or agreement with these other lines named, eight of them, with reference to the passenger business?

Mr. SCHWERIN. The Canadian Pacific, the Pacific Mail, and the Toyo Kisen Kaisha are the only first-class passenger lines on the Pacific. The other lines are either freight lines or intermediate steamers. The Japanese boats regulate their rates to suit themselves. They raise and lower the rates as they see fit, and without any discussion with anybody. Our rate from Hongkong and Japan to the United States has been the rate in existence for 20 years, and it is the same rate published by the Canadian Pacific. When the Toyo Kisen Kaisha came on and we were agents for them, they naturally followed the same rate. It follows that, from Japan, our outward rates are the same. They have not been varied since I have been with

the company. On the around-the-world business we have an arrangement, of course, with all communicating carriers, and that is a matter of general discussion. In relation to the intermediate rates, we notified the Canadian Pacific we were going to put on a rate on our through steamer business by the Nile, Persia, and China to \$150. It was some time ago, and I may be wrong as to the exact figures; they notified us that if we would do that they would put on an intermediate rate on one of their boats, the *Monteagle*, and that went along for several years. Last November, I think it was, I instructed the passenger department to raise those rates to \$175, and we notified the Canadian Pacific we would like to raise our intermediate rates to \$175, and they said that they would hold their intermediate rates at \$150. That is as far as any agreement exists; and as far as any knowledge I have of any question of rates, these rates have been stable rates for years and years.

The CHAIRMAN. The result of the agreement or understanding between the companies is to maintain uniform passenger rates?

Mr. SCHWERIN. No, sir. There may be an unwritten law, you might say, in relation to that, that the Canadian Pacific would not change the rates without advising us nor we change without advising them. For instance, they are going to put three new 12,000-ton steamers on, 20-knot boats, which they are getting out now. They may change the whole system of rate making there; in other words, a man in the trans-Pacific trip pays exactly the same whether he has a room on deck A or a room on deck E. It is not like the Atlantic service, where you pay different prices for a different quality of room. In the new service, the Canadian-Pacific may notify us that they propose to charge different rates for different rooms, and as soon as we get hold of that tariff, should we see it is going to affect us, we would proceed to meet that situation by changing our method of making rates.

The CHAIRMAN. It will not be by agreement?

Mr. SCHWERIN. No, sir.

The CHAIRMAN. You mentioned the fact that the Japanese lines show a disposition not to adhere to that agreement on the traffic eastward. How do they get around it?

Mr. SCHWERIN. Well, we wanted to use an official measure on tea, and we forced that issue. We tried through shippers before the Interstate Commerce Commission, to have the tea measured that came in by the Japanese lines, but they would not take any action on the matter. They finally got behind the Japanese Government, and the Japanese Government served notice that they did not deem it advisable to measure it. There has been so much skulduggery by the Japanese shipowners taking cargoes out of Japan without official measuring, that we wanted to put a measure on all business done with the United States. We have had it on some, but not on tea; but they would not agree to it.

The CHAIRMAN. That is one way they have of getting around the agreement?

Mr. SCHWERIN. Another way of getting around the agreement is to take the shipper's weight and count and measuring it 25 per cent off. A man who ships a thousand tons of freight, gets a bill of lading calling for 800. The shipper carries 1,000 tons.

The CHAIRMAN. That is the way they get the advantage in this traffic?

Mr. SCHWERIN. But above all that, you want to remember that the Japanese Government does everything it possibly can to compel the Japanese to ship in Japanese bottoms. That is a fundamental principle over there, and not only for the cargo out of the country, but imports into the country. I know of a firm in Japan whose business we had handled for nearly 15 years, which for the sake of some money went over to the Japanese. I told that firm that the Japanese lines would put them out of business. They asked why. I said: "Why, the Government will have every manifest and every shipper and every client you have in the United States." I met the president of that company—he called on me the other day—and he said, "We are shutting up." He was going out to close his business. Now, a great many foreign shippers there will ship by us because they know we will not disclose their clients. No one can get our manifests, and no one knows from whom the freight originates and to whom it is consigned. When I started in this business, Japan handled 15 per cent of the silk business, the most valuable cargo of the world. We often handled a million and a half of silk, ship after ship, with a million and a half of silk on board. It is all handled via passenger trains, not ordinary freight trains. To-day 70 per cent of the export silk is handled by the Japanese themselves. They are going to get rid of all foreign importers and exporters there if there is any possible way to do it, and they will be assisted by the Government in doing that; and it is quite meritorious on their part.

Mr. HARDY. I wish you would explain the way the man was shut up in his business—the fellow who went from your line to the Japanese line, whom you told that he would be put out of business.

Mr. SCHWERIN. Suppose that you are the American and I am the Japanese, and you ship by the Japanese line, and the Japanese line gives all your consignees in the United States to the Government, and I go to the Government and get all your consignees, my people will trail all your consignees around and undersell you in this country and shut you up after a time. It took 10 years to do it, but they shut them up all right.

Mr. HARDY. This was an American?

Mr. SCHWERIN. Sure; a manufacturer and shipper in this country—the largest manufacturer in his line.

Mr. HARDY. He left your line?

Mr. SCHWERIN. Yes.

Mr. HARDY. And went to the Japanese line?

Mr. SCHWERIN. Yes; because they gave him a rebate; he told me he could not ship by our line.

Mr. HARDY. And he was a home man?

Mr. SCHWERIN. What do you mean by a "home man"?

Mr. HARDY. He was a Japanese?

Mr. SCHWERIN. No; he was an American.

Mr. HARDY. That is what I was asking.

Mr. SCHWERIN. Sure, he was an American.

Mr. HARDY. Is 70 to 80 per cent of the business in the hands of the Japanese over there?

Mr. SCHWERIN. I am not speaking of 70 per cent of the transportation; I was speaking of the 70 per cent of the export silk business.

Seventy per cent of the business is handled by these Japanese themselves, amounting to \$40,000,000 or \$50,000,000. I am not speaking of the carrier now, when I speak of the exporter.

Mr. HARDY. You mean that the Government lends its energies to giving the Japanese natives the silk business?

Mr. SCHWERIN. I mean that the Japanese Government bends its efforts to having all the export business of Japan done through Japanese firms and the import business of Japan done by Japanese firms. Previously it was practically all done through the foreign firms, and they want to get rid of the foreign firms in Japan and have Japanese solely to transact their own business.

The CHAIRMAN. And not only Japanese ships?

Mr. SCHWERIN. Not only Japanese ships. They go further than that. They not only want the Japanese to import and export their cargo in Japan, but they want Japanese houses in American towns to be established here and buy the stuff, not through an American in this country, but through a Japanese agent right here in America, and ship it out and control the movement over our rail transportation lines to their own transportation lines.

Mr. HARDY. And one of their ways of doing that was for the Government to give to these Japanese merchants the name of customers of the man who shipped?

Mr. SCHWERIN. To give them the manifest.

Mr. HUMPHREY. Mr. Schwerin, at that point——

Mr. SCHWERIN. Then, coupled with that, they drop a couple of millions of subsidies to help them along.

Mr. HUMPHREY. It has been true that the Japanese lines coming into Puget Sound also discriminate in favor of Japanese merchants here, in their dealings with importers and exporters?

Mr. SCHWERIN. I do not think there is any question about it. I do not think there is any question but what a Japanese merchant in Seattle can get a better rate on the Osaka Shosen Kaisha than you or I could.

Mr. HUMPHREY. I know that has been charged, and it has been stated by firms in my town that they have been driven out of business by that discrimination.

Mr. SCHWERIN. I think they—the Japanese—are very wise people to do that sort of thing.

Mr. HARDY. Do you think we could get at the practice and put it in tangible form?

Mr. SCHWERIN. It would not do you a particle of good, if you did; they have a perfect right to do it.

The CHAIRMAN. Do they also accomplish it by giving presents to merchants?

Mr. SCHWERIN. Here is the Toyo Kisen Kaisha, a strong competitor of ours out of San Francisco; they do not leave a stone unturned to get the business away from us. Here is a San Francisco merchant. I ask him is that correct or not?

Mr. HIBBERD. Yes, sir.

Mr. SCHWERIN. Now, Mr. Asano, the president of that steamship company, whenever a steamer arrives in Yokohama, has a special train in Yokohama and invites all the cabin passengers up to his place in Tokyo, and gives them a great garden fête; that applies to every steamer.

Mr. HARDY. It is the merchant who does that?

Mr. SCHWERIN. That is Mr. Asano, the president of the Toyo Kisen Kaisha. He has a beautiful place there which cost a million dollars.

Mr. HARDY. And he invites the passengers?

Mr. SCHWERIN. All hands, and takes them on a special train up there from every steamer. Why, you do not know what water competition is. I am here before this committee, and my crime is that I am trying to keep the American flag on the ocean. The questions that are asked me here before this committee are along the line that I am doing something wrong, and that I ought to be fined for doing something wrong. I tell you, gentlemen, it is a pretty hard proposition that we are up against.

Mr. HARDY. We want you to supplement your statement by suggestions as to the remedy for existing conditions.

Mr. SCHWERIN. Leave us alone; let us go and do what the other fellows are doing, and let the Government help us to do these illegal things that the other fellow is doing.

Mr. HARDY. Is there any way of correcting the abuse on his part?

Mr. SCHWERIN. No; how can you?

Mr. BURKE. Shut out his ships.

Mr. SCHWERIN. Then, you would ruin your own commerce. If you had your own ships to put on, I say "Yes." But you shut out the foreign ships, and where is the import and export business of this country going to? You are absolutely dependent upon the foreign ships to bring your goods here, and to take your goods away. Why, you have not got any American ships. If you should debar the foreign ships from coming to the ports of America for one month, you would have the worse financial condition this country has ever seen.

The CHAIRMAN. Representatives of these foreign lines before this committee say that they give us ample facilities, that they do not discriminate against us in the equality of the service or in rates.

Mr. SCHWERIN. I think that is correct.

Mr. HUMPHREY. You do not think that is true in regard to the Japanese, do you?

Mr. SCHWERIN. No. I can say, you can take the steamship agent in this country operating out of New York. We were a very strong competitor of what was called the Suez Conference line, in the old days, when we were working through the Pacific coast gateway, and they gave to the Orient splendid service out of New York. It was a mighty hard service to get business away from. Practically all trade will seek the line of least resistance, and if they were giving a poor service out of New York it would not have been difficult to have gotten the business away, because we were putting finished products into the consuming centers of China in 45 days where it took them 70 days—

Mr. WILSON. Would you consider it a practical proposition to say to all the foreign shipping and to our own shipping that they would not be permitted to use the ports of the United States if they refused to accept shipping in foreign ports in the order in which it was offered, or gave a discrimination in freights to anybody?

Mr. SCHWERIN. I do not know how many Government employees you would have to have, Mr. Wilson, to chase down every tramp steamer that came to a port and every consignee that was on that

ship—I have seen over 18,000 different consignees on a single ship—to find out whether that individual shipper—it would not be the ship—that each individual shipper had made some agreement that was contrary to the law of the United States.

Mr. WILSON. Mr. Schwerin, would not the fear of the penalty being imposed of the refusal of entrance into our ports itself result in treating all shippers fairly?

Mr. SCHWERIN. No.

Mr. WILSON. Do you think they would take the chance?

Mr. SCHWERIN. Surely.

Mr. HARDY. As I understand you, I think you said you thought it was true that the foreign shippers gave the American merchant a fair deal, as a general thing?

Mr. SCHWERIN. Facilities.

Mr. HARDY. They testified that their rates were as fair to us as they were to Europe. What I want to get at is, suppose the laws simply penalized this discrimination.

Mr. SCHWERIN. I do not know how you would get at it.

Mr. HARDY. They would not shut off all our foreign trade, because you admit, and everybody admits, a great deal of that foreign traffic is carried on by lines that deal equally with the different nationalities—

Mr. SCHWERIN. I do not think there is any doubt but what the Hamburg-American Packet Co. gives the German manufacturer a great deal better show than he will give the French, and a great deal better show than he would give the English manufacturer.

Mr. HARDY. Do you think that is the case?

Mr. SCHWERIN. Sure. I would like to see it done that way in this country. I would like to see an American line leave New York City to go down to Africa on a better rate to the American manufacturer than he gave to anybody else.

Mr. HARDY. Have you read any of the testimony of these men before this committee?

Mr. SCHWERIN. What is that?

Mr. HARDY. Have you read any of the testimony of the representatives of the Hamburg-American Line before this committee?

Mr. SCHWERIN. No; I have not read any testimony.

The CHAIRMAN. It is all to the contrary to that view.

Mr. SCHWERIN. It may be, all right.

The CHAIRMAN. I think you misapprehend the attitude of this committee toward this whole subject. Our view is to ascertain the existing facts, and for the benefit of Congress to determine whether or not there should be any legislation, and we are not occupying a position of hostility toward what the lines are doing at all. We do not want to be so regarded. Take your lines in the trade to the Orient. I would like to know what you could do that you are not doing now. We have not said there should not be agreements, that there should not be conferences; we are simply trying to develop the fact, that the Congress may know whether or not they are a good thing.

Mr. HUMPHREY. The publishers of the land rate is what injures your business more than anything else.

Mr. SCHWERIN. No; I am not saying that; I am here and you can have all the information I have got gladly and willingly.

Mr. HUMPHREY. They say——

Mr. SCHWERIN. Wait a minute, Judge. But the questions are asked me as an American. I can not look upon them other than in the light they are asked, so as to force me to say I have done something contrary to the law.

The CHAIRMAN. No.

Mr. SCHWERIN. I have got a right to judge the common sense of the thing, and that is exactly the way it presents itself to me. The questions which are asked me were not to unburden myself as to everything that I did, as to everything that I know that has been done, and the reasons why these things were done. That is not the way they have been asked. I have no feeling in this matter at all. I want to help you.

The CHAIRMAN. We have asked you the same questions we have asked the representatives of these foreign lines, and I must say in their behalf that they met us in the utmost frankness.

Mr. SCHWERIN. I should think they would; there is nothing to hide anywhere that I know of.

The CHAIRMAN. I must say that your attitude has not been just as frank as theirs.

Mr. SCHWERIN. I am very sorry you put it that way.

The CHAIRMAN. But I feel it is the result of your feeling that the committee is in a hostile attitude toward you, while it is not—not at all. I think I can appreciate the difficulties under which you have been laboring in the Pacific, and admire your pluck and energy and skill.

Mr. SCHWERIN. I know I have kept the line going there with a whip over me for 20 years, and I am perfectly frank to answer that I am pretty tired of it.

Dr. HUEBNER. Mr. Schwerin, you made an observation that I wish you would elaborate on. You said you had about made up your mind that your Pacific Mail would have to go out of business. What disadvantages are your lines laboring under? Will you not give us a little light on that?

Mr. SCHWERIN. We are running a line, as I said, to Central America and the Isthmus, and when the canal is open we will be prohibited from running through the canal, and, of course, that will destroy the line on the coast of Central America and Mexico, and that line will be withdrawn. The Wilson bill, which passed the House and is now before the Senate, will prohibit our using Chinese crews in competition with all other lines on the Pacific, which are not only using Chinese crews and paying Asiatic wages, but every one of these lines is assisted by a subsidy, except the Bank Line, and that will make a difference of \$600,000 a year. In the face of keen competition that exists there to-day, the fact that we have barely made our operating expenses for the last 10 years, it does not seem possible that that line can exist; certainly if the Wilson bill becomes a law that ends the flag absolutely, because there is no such thing as a European sailor, a European waiter, or a European cook to man that line out of San Francisco.

Mr. WILSON. The Wilson bill does not require the employment of European sailors or American sailors, does it?

Mr. SCHWERIN. It makes us abolish the Chinese crews.

Mr. WILSON. It requires simply that the crews will understand the orders of the officers, and that they shall be competent.

Mr. SCHWERIN. That is not the bill, as I understand it, sir. The bill says they must understand the language of the officers.

The CHAIRMAN. It does not say that, Mr. Schwerin.

Mr. SCHWERIN. Mr. Wilson, if you will have the bill fixed that way we won't object to anything in the bill, but the bill says that the crew must understand the lawful order of the officers; to carry on a conversation, in other words.

Mr. WILSON. I say, the bill provides they must understand any order given by the officers of the vessel, and does not require that they shall be European or Americans, but that they shall have an understanding of the orders.

Mr. BURKE. Supposing these orders are in writing.

Mr. SCHWERIN. I will tell you, Mr. Wilson, you can take it for granted from me, and I know this business pretty well, that if your bill passes the Pacific Mail will pass out from under the American flag.

Mr. HARDY. I want to say that I understood you to testify before the committee when that bill was up that nearly everyone of your Chinese seamen understood the orders of their officers in English.

Mr. SCHWERIN. I think if you will look over my testimony you will see they understood the language of the sea; but I heard the lawyer examine the witnesses in the Rio case where he asked every Chinaman where was the larboard side, and there was not a Chinaman knew where the larboard side was, and I do not think anyone else knew.

Mr. HARDY. That bill only requires that they understand the orders.

Mr. SCHWERIN. That bill will put all the Chinese out of business, because each man must be examined for a certificate. Now, any understrapper of the Government who examines those men for a certificate will get a pretty good chance to see that he does not understand the language of the ocean.

Mr. WILSON. I wish to make this observation about the Wilson bill: If they knew it would not put in the Chinaman, our committee would not be in favor of it.

Mr. SCHWERIN. No; they would not waste a minute, if it was not for that. Mr. Furuseth said to me this: "Mr. Schwerin, I do not care if there is not an American ship on the Pacific Ocean; I shall do everything I can to stop every American ship, if it has to be sailed with Chinese crews." I said, "How about a Norwegian crew?" He said, "All right."

Mr. HARDY. Your English law is practically the same thing, except they do let in some of their natives, the Lascars; outside of that they have that same law.

Mr. WILSON. The English law provides they must understand the English language, except those from the colonies.

Mr. HARDY. All except the Lascars have to understand the English language?

Mr. SCHWERIN. You have been too long in this thing, and you are so important a member of this committee that you must know an English ship can carry any nationality on God's earth, except within

a certain zone of British territory—any nationality on the face of the earth.

Mr. HARDY. I am only judging by the law as I see it given in this extract.

Mr. SCHWERIN. You look at the law again. For instance, I charter a British ship to run between San Francisco and the Orient on a year charter. She comes out with a British crew. Immediately that ship left London the owners wired me to bring a Chinese crew out to man that ship and return the British crew, and as long as she was on the Pacific Ocean she had a Chinese crew.

Mr. HARDY. It was not according to that statement of the law.

Mr. SCHWERIN. I can only tell you, Judge, what I know to be a fact.

Mr. HARDY. You are telling me what the practice is. I do not know anything about that.

Mr. SCHWERIN. Yes; within a certain zone; within that zone they must speak the language; but when they get out of that zone they can employ anyone they like.

Mr. HARDY. Have you read the English law on the subject?

Mr. SCHWERIN. Yes.

Mr. HARDY. Do you find any such provision limiting that requirement in the English zone?

Mr. SCHWERIN. In practically the British coastwise trade.

Mr. WILSON. Do you find it in the law, making that limit?

Mr. SCHWERIN. I think you will find it in the law; yes.

The CHAIRMAN. Let us look that up some rainy day and go ahead with this inquiry.

Mr. AYRES. I should like to ask another question, if you can give us any light, with regard to the English protest against the Panama Canal tolls exception. Do you think the transcontinental railroad interests have had any influence in urging that protest on the part of England?

Mr. SCHWERIN. I do not know anything about what the transcontinental railroads are doing, but there has not been a railroad man to whom I have spoken about it who has not laughed at it.

Mr. AYRES. At what?

Mr. SCHWERIN. At any question about the tolls, nor would they discuss them or consider them at all.

Mr. AYRES. By anybody, who do you mean? I do not understand.

Mr. SCHWERIN. What I mean to say is that the railroad men have taken no interest whatever in the question as to whether the railroad-owned ships should go through the canal or not or whether tolls should be charged or not. It appears to be a matter of utter indifference to them.

Mr. AYRES. I should think it would be of very great importance to them.

The CHAIRMAN. Do you mean to say they are indifferent on the question as to whether or not the railroad-owned ships shall go through the canal?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. Were not you very bitterly opposed to that provision of the Panama Canal bill?

Mr. SCHWERIN. I certainly was; but, by jove, I know some railroad men who were mighty glad I failed. You will find Judge Lovett

on record as having written a letter stating that he was very much pleased the thing did not go through.

Mr. HARDY. Is he a railroad man?

Mr. SCHWERIN. He was president of the Pacific Mail Steamship Co.

The CHAIRMAN. So that, you say, the railroads are well satisfied with that provision of the Panama Canal act, that railroad-owned ships shall not go through the canal?

Mr. SCHWERIN. I do not think they care a snap about it. I do not know of a single railroad which contemplates putting its ships through the canal, unless it might have been the New Haven road; and I think that all came up after the discussion, for fear Boston might not have an equal advantage with New York.

The CHAIRMAN. And the railroads also are not interested in the question as to whether or not coastwise vessels shall have free tolls?

Mr. SCHWERIN. That is my experience in discussing the question with railroad men. It would amount to coast to coast cargo; it would amount to about 25 cents a ton.

Mr. WILSON. Do you think the Canadian Pacific Railroad Co. used any influence with the British Government, causing it to enter a protest?

Mr. SCHWERIN. I think the British and the Japanese, somewhat unlike ourselves, are very watchful of their interests and help one another to conserve those interests and not destroy them. The natural supposition would be that the Canadian Pacific Railroad Co. had sent some kind of a protest to the British Government or had interested the British Canadian Government.

Mr. STEPHENS. If the Canadian Pacific people were interested in the question of free tolls for the American coastwise steamships, would it not follow that the United States transcontinental lines are also interested?

Mr. SCHWERIN. No; because the transcontinental lines, under the law, can not operate through the canal, whereas the Canadian Pacific can. Now, if the Canadian Pacific comes in competition with American ships from coast to coast their ships are paying a toll, whereas the American ships going through the canal are not paying a toll.

Mr. STEPHENS. So this question of the reduction of rates would not affect materially the transcontinental roads?

Mr. SCHWERIN. The rates through the canal?

Mr. STEPHENS. Yes.

Mr. SCHWERIN. I think you have fixed it up pretty well so only one line will be operating through there, and that line will continue to follow up the rail rates, as they always have done.

Mr. HARDY. In fact, the amount of the toll would be infinitesimally small, would it not?

Mr. SCHWERIN. You could not figure it. For example, when you take into consideration a ton of shoes, which amounts to 1,000 pairs, and, say, the toll on a ton is 30 cents, if anybody can find it in a pair of shoes I do not know what kind of microscope he would take to do it.

Mr. HARDY. As a matter of fact, would not the route via the canal be so much cheaper than via the transcontinental rail route that the little difference of \$1 a ton would not amount to anything?

Mr. SCHWERIN. It is not \$1 a ton freight; it is \$1 a net register ton.

Mr. HARDY. Suppose it was \$1 a freight ton, that would not alter the question of competition at all, would it?

Mr. SCHWERIN. Oh, yes; because if I were a big shipper, and I was handling 50,000 or 60,000 tons of freight from the Atlantic to the Pacific or from the Pacific to the Atlantic, I would put that \$50,000 or \$60,000 in my pocket. When you come to figure \$1 a ton freight it makes an awful lot of difference, but when you come to take that 30 cents a ton on a consignment made up of calico it does not amount to anything.

Mr. HARDY. The rate by the canal would be \$5 or \$6 cheaper than it would be possible to carry it across by rail from New York to San Francisco, would it not?

Mr. SCHWERIN. I do not believe I can answer that question, Judge. I imagine it will not be a question of how cheap it can be done; I imagine that the water carrier will lift his rates as close to the rail rates as he can to meet competition.

Mr. WILSON. Suppose there was competition among the steamship companies themselves, would that affect the rate?

Mr. SCHWERIN. Of course it will, but they will find some way, I suppose, of getting tired of that competition; they are not philanthropists. Here is Mr. Wheeler, he came to the Government and showed the Government what an awful lot of business could be done by the Panama route at true sea-level rate. He got these boys, Bates & Chesborough, and got them to put on a line. They have dropped three-quarters of a million dollars, simply proving they could not run on that line and get 98 cents for every dollar they spent. There is an equity in the transportation business, as well as in all other kinds of business; you must get paid for the services rendered and something besides.

Mr. WILSON. Assuming that to be absolutely true, would it not follow if there was competition amongst the steamship lines for that trade the rates would come down to the point where a reasonable profit could be earned upon an investment, rather than being regulated by what the rates were on the transcontinental lines?

Mr. SCHWERIN. When these pools and conference arrangements are made, as a rule rates are adjusted so that the carrier gets only a reasonable profit; but whenever there is competition on the rates the big fellow squeezes the little fellow either out or until he is ready to say he will be good and do what he is told to do.

Mr. HARDY. The point I am getting at is this—

Mr. SCHWERIN (interposing). Competition never made a reasonable rate and never will make a reasonable rate.

Mr. WILSON. Then, do I understand from that statement that in arriving at tariff rates for shipping, while there may not be a pool or an agreement or an understanding, tacit or otherwise, the small shipper is compelled to make the same rate as the large shipper for fear of being run out of business through a rate war?

Mr. SCHWERIN. I will put it just the other way. If I were a little shipper and you were the big shipper, as long as there is business to go around and I can get it just under your rate, or at your rate, I will take good care not to bring you down on my head by wilfully cutting the rates in order that some shipper may get an additional amount of money, which he will put in his pocket and under no circumstances will go to the consumer.

Mr. WILSON. But you will be brought to that condition through fear that the larger concern will get into a war with you, and being the stronger will put you out of business?

Mr. SCHWERIN. Certainly, there is no question about that.

Mr. HUMPHREY. In other words, it has reached a condition where competition in modern ocean-carrying trade is likely to lead to a monopoly by the stronger one devouring all the others?

Mr. SCHWERIN. Competition produces ruin to the weak man and strength to the strong man eventually.

Mr. HUMPHREY. Until it results in a monopoly?

Mr. SCHWERIN. Yes; a monopoly. Now, it is much better for the public to be served at reasonable rates and afforded plenty of service than it is for the public to be served by cut rates, nobody knowing what the other fellow is getting, the merchants only getting the advantage of each other; that is, the big merchant having the advantage over the little merchant. It is not only a question of the little carrier over the big carrier, but of the big merchant over the little merchant, because the big merchant, in a rate war, always gets the advantage over the little merchant; the carrier goes after the big fellow to get a lot of freight and gives him the advantage. I do not know whether you want to listen to this or not, it is very interesting to anybody that has been in this business. In this business, I say, the general contention has been the protection of the consumer, and that by the regulation of rates you are going to protect the consumer. Now, I say the rates have nothing to do with the consumer. The man who pockets the difference in rate is the jobber, because if he can move his tonnage by rail and by water, with a differential in favor of his water route, which he naturally will be able to do, he is going to sell all his goods at the rail rate. There is not a shadow of doubt about it. Whatever you put the difference of rate between the Panama route and the rail routes, if the railroads maintain their tariffs and do not lower them, and the water carriers work close up to the railroads, as they possibly will, the only fellow who is going to get the advantage of that proposition is the fellow who buys the goods in the East and sells them in the West by adding the rail rate to everything he buys and sending accordingly through the ships by water.

Mr. WILSON. Then, in your opinion, it would be an advantage to commerce to permit the ocean-carrying companies to agree amongst themselves upon what the rate should be?

Mr. SCHWERIN. Absolutely.

Mr. WILSON. Would your opinion go this step further and say that the Federal Government should have the right to regulate those rates, as they now have in interstate commerce?

Mr. SCHWERIN. No; I do not believe that would be a good policy.

Mr. WILSON. Why not?

Mr. SCHWERIN. But I do believe this, that the Federal Government could have the same kind of supervision that the Japanese Government has, to say when a rate has got too high. The danger of the interference of the Federal Government is the same as it was when the War Department made a rate via the Panama route of 40 cents a hundred on everything. I said: "Do you mean, gentlemen, 40 cents per hundred on feather beds and pig iron?" "Yes; on everything." They made the rate on pig iron, the cheapest article

in the world, and the same rate on feathers, one of the most valuable articles. It was not fair. The Government could make your rates too low on a high-class commodity like silks and satins and too high on a low-grade commodity. It is the average of all those rates that will make anything net for your ship. A ship that has a mixed cargo or a broken-bulk cargo can afford to give better rates than a ship which is only carrying one low-grade commodity and can get nothing else but that low-grade commodity. I say it would have been to the advantage of the United States if we were going to allow everybody on that canal—1,000 ships in that canal. If you want competition and want to rip the transcontinental railroads up the back, you should allow any flag in the canal; let them do the deep-water service from coast to coast and see where you land on the proposition.

Afterwards, if you want to regulate it, you can do so. If it turns out to be ruinous; if it turns out that practically all your business is moving to tidewater and one railroad after another is going down, if that is what you really want—if you want to destroy the integrity of the railroads—that is the way to do it; open the canal to everybody and let all flags go through and consider the coast-to-coast business not as coastwise cargo, but as deep-water cargo, deep-water business for all flags. If, on the other hand, you do not want to go to that extreme, then let them all go through, but let the Interstate Commerce Commission regulate the minimum and the maximum rate, and let your competition be between the ruinous rate and the prohibitive rate; in that way they would get to some level and the people would get the service. Suppose what takes place is this: Mr. Dearborn, with 22 ships, has twice the tonnage sent to tidewater that he can carry. What is going to be the cry to this committee? The merchant and the manufacturer will say this canal was built for us as if there are no Americans who want to go into the shipping business and are willing to provide tonnage to handle our commodities that we want to ship through that canal. What right have you to say that these shall be the only ships to handle our tonnage? Put the foreign ships in there and let us get our business from coast to coast, and when Americans will supply American tonnage, then put the foreign ships out.

Mr. WILSON. There has not been any difficulty in finding your tonnage to supply the coastwise trade, has there?

Mr. SCHWERIN. You mean now?

Mr. WILSON. Taken generally. May be there are small periods in which there has been difficulty, but, taken generally, has there been any difficulty to supply tonnage to supply coastwise trade?

Mr. SCHWERIN. No; but suppose the canal is opened and every shipper wants to ship by the canal; men who have never used the water route before; they are not going to ask whether there is tonnage; they are going to consign their freight to the water and expect it to move.

Mr. WILSON. Will that not result in building up a greater coastwise marine?

Mr. SCHWERIN. We do not see anybody ordering any ships now, except Dearborn.

Mr. AYRES. Are not the Grace people building four ships?

Mr. SCHWERIN. They are building four ships, but Grace will send his ships anywhere and everywhere. The type of ship they are building is being built for lumber; they are going into the lumber business from the Pacific coast end, but what are four ships? What are 100 ships?

The CHAIRMAN. We will take a recess until 2 o'clock.

Thereupon, at 12.40 o'clock, a. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened pursuant to the taking of the recess.

Mr. SCHWERIN. Mr. Chairman, I would like to make a statement, if I might be permitted.

The CHAIRMAN. Very well.

Mr. SCHWERIN. You thought this morning that I was not as frank as the representatives of the foreign lines, and I want to clear up one question which you asked me and which I was unable to answer. That is, Why the *Curacoa* was withdrawn from the Mexican run. I did not think at the time that Mr. Hibbard was in the room, or I should have referred the question to him; and I should like, as he is the superintendent of that line, to have him state here as to why the *Curacoa* was removed from that line.

STATEMENT OF MR. I. N. HIBBARD, SUPERINTENDENT OF THE PACIFIC COAST STEAMSHIP CO., SAN FRANCISCO, CAL.

Mr. HIBBARD. The *Curacoa* had been running down between San Francisco and different points in the Mexican trade for several years. For the last three years, since the troubles in Mexico commenced, the trade has been growing gradually smaller and smaller, and the last year showed it was a question every time she went out (which was once a month) whether the ship should be sent another trip or not. Finally it was decided it was so unsatisfactory and the margin of profit so small that we had better take her off and put her on a line where we could make more money with her; so we took her off the Mexican line and put her on the Alaska line.

The CHAIRMAN. When was that?

Mr. HIBBARD. About a year ago, I think.

The CHAIRMAN. That was not the result of any agreement or understanding with any other line?

Mr. HIBBARD. None whatever. It was a case of dollars and cents and unsettled business conditions along the Mexican coast.

TESTIMONY OF MR. R. P. SCHWERIN—Continued.

The CHAIRMAN. Mr. Schwerin, you may proceed. As I understood you this morning, the deferred rebate agreements referred to are between the nine lines that have been mentioned in the trade from the Far East to Pacific coast ports.

Mr. SCHWERIN. Yes.

The CHAIRMAN. I believe you said, in answer to my question, that in your opinion you had no recommendations to make in the way of legislation. Your only suggestion was that the Government keep

hands off. Would you be in favor of the Government giving over the supervision of water transportation to the Interstate Commerce Commission or some other commission and to provide for publicity, and if agreements are entered into between lines in the same trade that they should be compelled to file those agreements with the Interstate Commerce Commission and that discrimination or rebates should be prohibited? Would you feel, if the law went that far, that it would prejudice the transportation interests or the shipper?

Mr. SCHWERIN. I believe that the greatest possible good could come to the merchants and the consumers if the steamship companies were permitted to arrange a pooling or a deferred rebate system, whichever might be thought advisable, and would file their agreements with the United States Government, or with whatever department was designated, with the understanding that those arrangements were to be solely for the knowledge of the Government and not published. The Government could have the right to criticize them, and if there was something in the arrangement which it thought detrimental to public policy, the Government could take it up through a commissioner with those men who are interested in that particular pool or traffic and could have the matter thrashed out and rearranged to the satisfaction of the Government.

In that way I believe the carriers would have a fair revenue and the Government could see whether or not the revenue was an unreasonable one or whether there were any prohibitive conditions effective, and the result of it would be that the carriers could give a good service for a reasonable return on the invested capital; the merchant would have a stable and reasonable rate and the consumer would have the benefit of a reasonable rate, and everybody would be operating under the laws of our Government. If the Government is maliciously to use these filed arrangements in order to disturb the mind of the public by sensational articles, and so forth, or for political purposes, then I do not think that any good would be derived from any control of water carriers in the foreign trade passing into the hands of the Government. I have always been in favor of the Interstate Commerce Commission handling the coastwise trade. There is as much skullduggery in that, and more, than there is in the foreign trade.

The CHAIRMAN. In your view, then, the coastwise trade should be brought under the supervision of the Interstate Commerce Commission just like the railroads?

Mr. SCHWERIN. Yes, sir; it is all competitive business, and I can not see where the difference lies that private rates and rebates and secret rates and rebates by water should be regarded as desirable when the same method on goods shipped by rail from the same initial point to the same destination is criminal. It is something I can not reconcile in my own mind.

The CHAIRMAN. I suppose you speak advisedly when you say there is a good deal of that going on in the coastwise business?

Mr. SCHWERIN. I do not know what you mean by "advisedly."

The CHAIRMAN. You know it is a fact?

Mr. SCHWERIN. Why, I think so.

Mr. HARDY. Mr. Schwerin, is there any more reason in equity—leaving out the possibility of our framing such a law—is there any

more justification for the foreign trade indulging in the same kind of things that are criminal than if indulged in by the railways!

Mr. SCHWERIN. Of course, the United States Government can control its own people through the laws of the land, and the people must comply with those laws; it seems to me a much more difficult proposition to control foreign traffic that enters our port in friendly commerce.

Mr. HARDY. That was excluded by my question. I said admitting the difficulty, is there any abstract, normal reason for permitting the pursuance of practices in the foreign trade that are deemed criminal in the domestic trade?

Mr. SCHWERIN. I think that everybody in the foreign trade would be only too glad to file their arrangements with a designated department of the Government and take up with the Government any question that required further explanation or further modification, with the knowledge that the Government would permit them to carry on their legitimate business without the necessity of putting in private rates and rebates; they would be only too glad to be relieved of any obligation to make private rates and pay rebates.

Mr. HARDY. Mr. Schwerin, it seems to me—you were speaking about the temper of the investigation toward you—that you assume a proposition that this Government or some representatives of it are interested in destroying your welfare.

Mr. SCHWERIN. They have been doing it for 20 years; we are just on the edge now, and it will just mean one more shove and we are gone.

Mr. HARDY. The trouble about it is this: You seem to have reached the conclusion that the practical situation is only to let the shipowners and the ship lines alone, and there is nothing else that can be done, practically. The masses of the people, and those we represent, feel that unlimited discretion in the hands of shipowners, when accompanied by combinations, has resulted in private rates. I do not say that is so, but it is the proposition. If it is so, we are here to seek out whether or not there is a remedy for it; and while it might appear that we are gunning, there are certain conditions we do not understand and which do not look reasonable to us, and we may ask questions which tend to push the inquiry to the extent of apparent impertinence; nevertheless, it is our duty here to make these inquiries all along the line. Now, if you are right and there is no way of controlling the foreign shipping and their rates, then, of course, so far as foreign shipping is concerned, we have no function to perform at all.

Mr. SCHWERIN. I suppose the greatest shipping nation in the world, with all due respect to the representative of the Hamburg Co., who is here, is Great Britain. Germany is coming along with leaps and bounds, but that is the parent country, the pioneer, and the great oversea carrying country; they made a most exhaustive investigation of these deferred rebates and conference agreements.

Mr. HARDY. The shipping ring commission?

Mr. SCHWERIN. The shipping ring commission. I read that report with great care, and I know of nothing that has ever been done since the newspapers heralded the crime of the century, to change those conditions in England to-day. They recognize them as necessary to protect the shipowner and the ship operator.

Mr. HARDY. But you are aware also in that investigation the members of the commission were very much divided in the conclusions they reached?

Mr. SCHWERIN. That might happen in any commission. The fact that they did not do anything, was evidence it was to England's interest not to do anything, or England would have done something.

Mr. HARDY. In other words, it was the majority opinion of that commission?

Mr. SCHWERIN. Yes. Now, to come back to the majority of the people: You hear a great deal about the consumer protesting against rates he has to pay. Of course, it may be very egotistical on my part to say this, but I will venture to say there is not a man around this board that is familiar with ocean freight rates anywhere, except what he may get here in this way, and outside of the people in this room, there are not a thousand people outside of those that are in the business and interested in the business that know a thing about a freight rate—whether it is quoted in pounds, shillings, pence, marks, or what; or what is a bill of lading, or what 40 cubic feet means, or ship's option.

Mr. WILSON. And your inference, then, is that what a man does not know does not hurt him?

Mr. SCHWERIN. No; the inference from it is that the agitation is not on the part of the people, as fearing bribery or an illegal handling of their traffic.

Mr. HARDY. In answer to that, suppose I cite to you complaints made by boards of trade in certain cities, as to rates charged them, and I confess they are in reference to the coastwise rather than the foreign rates. Do you suppose those people, interested in the large cities' business, because they are not expert traffickers, have not any right to inquire into the thing?

Mr. SCHWERIN. Oh, not at all; I believe those things are all subject to inquiry, and nothing illustrates that question more than the fact that Mr. Wheeler urged upon the Government those rates via the Panama route and fixed a commodity tariff which we are now working under. The Panama Steamship Co. lost last year something over \$300,000 and something like \$225,000 on the California Atlantic Steamship Co.'s failure this year.

Mr. HARDY. But you will admit that these people in the large cities, for instance, are interested in freight rates, railway and water, as much as all of the other people are interested, except the companies.

Mr. SCHWERIN. I used to expend for the Southern Pacific, when I was the purchasing agent for the supplies over that entire system, over \$30,000,000 a year. I bought in all parts of the United States. My headquarters were in San Francisco, and I used to watch the markets, particularly in all manufacturing points in the East. I bought largely from jobbers in San Francisco. Those jobbers shipped in those days by rail via the Panama route, and the Cape Horn route by clipper ships, and I know of no years, while I was there, when I ever got a rate quoted to me based on the manufactured price plus the water rate. It was always the manufactured price plus the rail rate. They shipped, say, 25 per cent of their stock material by rail,

and 25 per cent by water, by clipper ship, and 50 per cent by the Panama route; and sometimes they reversed it.

Mr. HARDY. You are making that suggestion with reference to whether or not our Panama tolls ought to have been free?

Mr. SCHWERIN. Oh, no; I am making it on the basis that it is not the consumer who gets the benefit of the rate; but the jobber gets the benefit of it.

Mr. BURKE. As illustrated in the case of lemons, under the Payne-Aldrich tariff?

Mr. HARDY. It was said that was immediately swallowed up by the railroads.

Mr. SCHWERIN. I do not know anything about that.

Mr. HARDY. When you say the largest shipper and the big importer is the one who gets the benefit, that is pretty generally the situation, and it seems to me the purpose of legislation is to offset that to some extent if possible.

Mr. SCHWERIN. Judge Hardy, if I have 10,000 pounds of goods in my warehouse in San Francisco, which was brought in by all routes, how could I possibly segregate the portion of it I brought by clipper ship, which takes 120 days coming around, and the Panama route, which takes 45 days, or rail, which takes 20 days. When I put it all in the warehouse can I tell which took the \$8 rate, which took the \$12 rate, or which took the \$15 route? No. I would just make it all \$15 and add to the cost price the insurance and overhead charges, and sell at that rate.

Mr. HARDY. Do you not add the total expenditures of the organization simply to estimate on the basis of the reasonable profit as a whole?

Mr. SCHWERIN. I am afraid that is not what I got up against.

The CHAIRMAN. The logic of your position is simply this: In digging the Panama Canal we have just squandered about \$400,000,000, as far as the consumer is concerned?

Mr. SCHWERIN. I think so, just from that one standpoint.

Mr. HARDY. From the standpoint of water transportation, is it a waste? A sort of charitable bequest to the merchant who sells?

Mr. SCHWERIN. Of what sort?

Mr. HARDY. All water transportation is just a hand-out to the merchant who sells his goods?

Mr. SCHWERIN. Sure, sure; there is no question about it.

Mr. HARDY. They are not interested in water transportation anywhere?

Mr. SCHWERIN. Of course, we are. The men who are in that business are interested. The Steel Products Co. gave the California & Atlantic Steamship Co. their entire tonnage, about 40,000 tons, by the Panama route, who never shipped a pound of freight until I persuaded them to do it. Now, if they had a \$15 rail rate, and they had an \$8 rate by water, they made \$7 a ton, or \$280,000, which they made as a profit.

Mr. HARDY. You mean a certain small class would benefit, but the consumer gets no benefit?

Mr. SCHWERIN. That is it exactly.

Mr. WILSON. Is it not true that there is no competition among jobbers or sellers?

Mr. SCHWERIN. Perhaps you had better have an investigation along that line and see what conference takes place among the job-

bers and sellers. It might be more easy for them to explain why their prices are the same than it has been for me to explain why our tariffs and those of other steamship lines are the same.

Mr. HARDY. To get right down to it, I do not see why we are not interested in water transportation.

Mr. SCHWERIN. I do not see, either.

Mr. BURKE. Does water transportation have any effect on railroad rates?

Mr. SCHWERIN. Will it have any effect?

Mr. BURKE. Does it have any effect—I did not say “will it”—does it have?

Mr. SCHWERIN. As I explained before, take the Panama Canal as an illustration—I can not give any better than that—if the Government decided the canal is free to everybody, no matter what flag, you can make any rates you please from coast to coast. I think under those circumstances that you would have most of the railroads in the United States in the hands of a receiver; then it would have shown what competition is worth, but if the Government says that only certain ships shall go through the canal, and that only a few ships go into that trade, those ships are going to follow as close up to the rail rates as they possibly can and get large earnings. It is logical that they shall do that.

Mr. THAYER. If we can make water transportation cheap enough—that is your argument, is it not—it will run out the railroads?

Mr. SCHWERIN. I do not know how you could make water transportation cheap enough to run out railroads unless you put all the foreign ships in that water transportation.

Mr. THAYER. You said the Panama Canal would run out the railroads, did you not?

Mr. SCHWERIN. Not with American ships, but if you will let the whole commerce of the world compete for it, that will be true.

Mr. THAYER. That is argumentative; do you know of any case where water transportation has decreased the rail tariff? Has it not made the same?

Mr. SCHWERIN. It is always alleged by the transcontinental railroads that the competition with the Panama route and the all-water route, sailing clipper ships around the Horn, governed the coast-to-coast rates and made those rates lower than the intermediate rates.

Mr. THAYER. Then, to that extent, the ultimate consumer does not benefit?

Mr. HARDY. The illustrations are plentiful where transportation on the water from Memphis to New Orleans was much cheaper than the like distance by rail, where there was not any water transportation. I think you will find that is always the case. For that reason the through route to Seattle is cheaper than to Spokane from New York, is not that correct?

Mr. SCHWERIN. I believe now they have changed that. Spokane has the same rates as Seattle has.

Mr. HARDY. The commission has been interfering a little in that situation?

Mr. SCHWERIN. Yes.

The CHAIRMAN. Mr. Schwerin, ought it not to be enough for the law to provide that agreements between the carriers should be filed with the Interstate Commerce Commission, that they should have power to supervise and determine their jurisdiction, to determine

whether or not those agreements are reasonable in their terms, or pooling arrangements are reasonable, and if they involve rebate agreements that they are reasonable?

Mr. SCHWERIN. I do not think you could work it that way, Judge. It seems to me the law should permit them to get together and submit what they have done after they have gotten together. Business has got to be done, and it has got to be done one way or another, and these lines that are giving a regular service are subject more or less to what we call "pirating." A man has a tramp steamer, and he wants to butt in and get more than his share. For instance, there are lots of cases where the regular lines are running full cargoes outward and only part cargoes back. The "pirate" wants a full cargo out and he demands a full cargo back. He is going to cut and slash things all to pieces. There are cases where men go in with no other idea than to be bought off. They own vessels with which they handle the business upon those lines, with the expectation that somebody is going to buy them to get out of the way; they go into the service on that account. If you are going to wait until what we submit has been studied and digested, we may have to wait a year until you get any action; meanwhile, what is going to happen to your business? Let the people get together and go ahead and do their business. Nobody is going to get seriously involved, and business will go on properly and then if the Interstate Commerce Commission, or whatever department of the Government, is anxious to see no harm is done, let them get busy and not hang up business. Sometimes these things come up before the department, and before the Government gets around to consider it, everything is at a standstill, and you do not know where you are.

The CHAIRMAN. Your point is, let them make the agreement and say to the Government, "That is what we are doing?"

Mr. SCHWERIN. Yes, sir; and if there is anything wrong about this, you call our attention to it, and we will try to correct it. If you are going to prevent and prohibit pooling or rebates either by the regular lines or any other water lines, then you must prohibit rebating by tramp steamers; the regular lines must get the protection that the tramp steamer has.

Mr. WILSON. But after you had made your rate, you would submit it to the commission, and they would protest against any provisions of it, and it would depend entirely upon your judgment whether you would make a change or not?

Mr. SCHWERIN. Mr. Wilson, you want to bear in mind that ocean carriage is very different from rail carriage. The people who are engaged in ocean transportation have got to watch the market; they are more or less familiar with the market, because the shipper comes in to them and says, "I have got a chance to sell so and so, if I can get such and such a rate. Here is the quotation from other parts of the world." If he is a thoroughly reliable shipper, the agent will take his word for it. If not, he will find out if that is so, and the moment that he sees the other market quotations, he has got to snap it up, and he says, "I will take it." That man is able to sell his goods, and the ship is able to get the tonnage. If lashed around, they could not do anything; could not say "yes" or "no." The man has lost the sale and the ship has lost the tonnage. When the

Interstate Commerce Commission ruled on these proportional rates, and stated that the railroads must file their proportional rates that they would accept on the export and import cargo, and that these rates could not be changed except by 30 days' notice, the Canadian Pacific was totally free to go into the market and change its rates 30 times a day and what earthly use were those rates to us? Here is a shipper putting in a bid for a water plant in Kobe. It might be for 20,000 tons of 4-inch pipe. He has got to get the bids in on a certain day. He wants our guaranteed rate. We say, "We have got to go to the commission. We can not give you this rate until the commission agrees to it. That takes 30 days." He says, "To hell with that." That is what they told us, and went off and did the business with other people.

Mr. WILSON. Suppose you have definite tariffs?

Mr. SCHWERIN. You men are business men, and you know whether you can do business along those lines and whether you can succeed. Transportation is not an ethical problem; it is a practical problem, and new questions are confronting you every hour of the day. Every shipper's trouble is your trouble.

Mr. WILSON. Suppose you have your definite tariffs that have been mutually agreed upon among all the shipping concerns—all the steamship companies—and have been submitted to the commission that it is proposed to establish. Under your declaration, would you want to have the privilege of changing those tariff rates upon a day's notice or an hour's notice or a moment's notice, or what length of time would you consider would be a practical length of time in which notice should be given for the change of those rates?

Mr. SCHWERIN. I want to change them on a second's notice. A man may come in to me and say, "I have a chance to sell 50,000 bushels of wheat if I get such and such a rate." One-half cent may be the difference between Argentine and New York City—

Mr. WILSON. Then, what value would the filing of those rates with the commission be, either to the steamship lines, to commerce generally, or to the community at large?

Mr. SCHWERIN. There would be this advantage, that instead of having all kinds of rates and rebates, frequent rebates, the public at large, say, 90 per cent of the time would have stable rates, and if these conference lines agree on these rates, which you must bear in mind as published in a tariff, are merely the maximum rates—the rates which a line guarantees that you can sell against at any time, and as long as those rates are in effect you can quote that rate upon sales for a fixed price. Now, if the merchants must have a lower rate to a certain point, and it is by a conference line that the rate must be made lower, the chances are that will be taken up in conference immediately, and it will be considered that such and such is the condition, that a different route is making a lower rate from such to such a point, but the rate is given to the conference, and doubtless the conference will make a rate to meet it. The carrier has always got to consider the shipper's business in the foreign trade, or else he is bound to lose it, because it is a very different proposition to movement by rail. Goods can be bought in all parts of the world; there is rarely any part of the world that can not be reached by water, and business originating at one point is competitive to business that originates in another point, and the carrier between point A and B

knows that unless he protects the men who are in the business between A and B that business will go to the carrier between C and B, and therefore he must be in touch all the time with the conditions. A great many lines do not have any tariff——

Mr. WILSON. Then your idea is that the tariff should be filed with the commission?

Mr. SCHWERIN. No; not the tariff; it is the agreement, not the tariff.

Mr. WILSON. It is the agreement that you propose to file and not the tariff?

Mr. SCHWERIN. Not the tariff.

The CHAIRMAN. I agree with you that it might be very damaging and disastrous to our trade——

Mr. SCHWERIN. Well, Judge——

The CHAIRMAN (continuing). If our lines were compelled to file a tariff and not permitted to change it under 30 days' notice.

Mr. SCHWERIN. If all the foreign lines serving the export trade had to apply to the Interstate Commerce Commission every 30 days to change rates, when all the rest of the world could do it at will, would it be desirable from an exporter's point of view?

Mr. WILSON. What injury would it do to the commerce of the United States if a tariff were filed as a maximum tariff—not a minimum, but as a maximum tariff, with the commission—would there be objection to the raising of that tariff without 30 days' notice?

Mr. SCHWERIN. Personally, I do not think with a fair-minded commission there would be any objection to it, but taking the experience of all efforts to raise rates that have been made heretofore, properly or improperly—I am not prepared to say which—I do not know that the present commissioners have allowed any carrier to raise a rate since the commission has been in existence. I say that advisedly, because I do not remember whether they have or not, but my impression, from newspaper reading, is that they have not; practically every one has been turned down or suspended. Foreign steamship companies would probably be very loath to put themselves in that position; they would be held to their tariffs when the tramp steamer could come in and get \$5 or \$6 a ton more than they were permitted to get, simply because there was not tonnage enough really in existence to take the commodities the merchants wanted to ship, and the tramp would come in and say, "I will take part of that, but I want so much more per ton."

I can cite that here. We are getting \$7.80 a ton on cotton from San Francisco to Japan ports. There is not a tramp steamer that will touch that cotton out of San Francisco—we have been trying to get them to relieve the situation—for less than \$12 a ton. Rates on tramp steamers had advanced in four years from 4.6 to 11 shillings a ton. That is more than double, and you are going to hold the regular lines that have given the efficient service—the regular service—down to a minimum rate, when the irregular ship—the pirate—could come along and pick the cream off the thing and get the benefit of all conditions of trade, when the regular ships are entitled to have a fair share of the increased benefit of trade that inures over the whole world. The carrier is entitled to the benefit of that just as well as any other business man. If the carrier has been held down in tight times and had a hard time of it, when

good times come he ought to participate in that and have the benefit of it just as well as anybody else.

Mr. WILSON. Would not those tariff rates—the publication of those tariff rates under a law of that kind—apply to the tramp steamer as well as to the regular line?

Mr. SCHWERIN. No; how could you apply it to the tramp steamer? I do not think you could have a commission big enough that could grasp the trade of the world and cover the contracts that are made months ahead, before the ship ever appears on the scene. I have sold goods and I never even had the ship I was to carry them in; I had to go out and get it; she might be thousands of miles away when I was going to deliver those goods. That ship might be 3,000 or 4,000 miles away from the point that I was going to ship the goods from, and I had to go in the market of the world to see where I could get the cheapest ship.

Mr. HARDY. Why could not a maximum rate be applied to tramp ships as well as to regular-line ships?

Mr. SCHWERIN. The maximum rate?

Mr. HARDY. Yes. For instance, supposing the conference lines were compelled to file with the commission a schedule of their rates, now would there be anything, would it be impracticable for the law to provide that no—

Mr. SCHWERIN (interposing). I do not know why you should file the maximum rates. Suppose, for instance, that the maximum rate filed in San Francisco in this very case was \$7.80 a ton on this cotton. We have had 65,000 bales of cotton there, which we have tried to get shipped through that port. Now, if your maximum rate was \$7.80, and that is all you could get, why would a tramp steamer ever come to get it when they can go up to Puget Sound and load flour for \$5.50 a ton? Cotton runs four to one lighter in the dead weight.

Mr. HARDY. Your line would then be rid of the tramp steamer.

Mr. SCHWERIN. Yes, but the shippers are all raising hail Columbia, because the cotton is not going forward, and we would like to move the cotton and placate the shipper, and keep his good will. We are not standing with mailed hands against the shipper; we have our arms around his neck trying to hold on to him.

Mr. HARDY. Still you do not want any kind of interference with your right to go up and down with the rates?

The CHAIRMAN. If you were required to file the maximum rates, it would be like the railroads, I am inclined to think, in Missouri. If they were required to do that it would make them too high, they would practically be of no value so far as that is concerned.

Mr. SCHWERIN. I was going to make that remark, but it seemed so facetious, so out of place here, that I did not like to do it. You could file your maximum rate and they could stick them away and find fault with them, and say the rates were too high, but the rate would never be a used rate by anybody, therefore it would fall of its own weight so far as use was concerned.

Mr. HARDY. Unless the commission had the power to regulate what the maximum should be.

Mr. SCHWERIN. Then you close down your ports against the service the importer and exporter demand. You are between the two fires there. It is a very delicate proposition to go out and com-

pete with the markets of the world, curtailed in the free facility to get tonnage to handle your competitors' business, or the business in which you are meeting with competition.

The CHAIRMAN. Taking up the coastwise traffic, what would you recommend in the way of legislation to be applied to the coastwise business?

Mr. SCHWERIN. I have already recommended on that, just as strongly as I know how, in the canal discussion in the hearings before the Senate committee, and, briefly, my idea was that all coastwise ships, for all coastwise companies and individual owners, should file with the Interstate Commerce Commission their maximum and minimum tariffs, and if that was not satisfactory, then let the Interstate Commerce Commission say what shall be the maximum tariff and what shall be the minimum tariff on all classes of tonnage, and to take this question up first by the canal. There is the neck of the bottle. The Interstate Commerce Commission demurred to this. I had a long talk with Commissioner Prouty; he said it would be a big task to undertake, and the commission had all it could attend to, and would rather not tackle the problem, but if Congress made it an executive matter they would take care of it. I said: "Take the neck of the bottle; all the traffic has got to go through this canal, and it will be easier to make a maximum and minimum rate here." Of course, the western classification would certify what the commodities were, and the question arose about the tramp steamers taking a load of coal or a load of lumber that could be regulated the same with a maximum rate to be so much and the minimum rate so much, and they could fight between those rates. The minimum rate would prevent the little fellow or the weak fellow from being driven off, and the maximum rate would prevent anybody making prohibitive rates, and if that worked out by the canal, they could spread it out over the entire coast. It would be simply a question of working it out.

The CHAIRMAN. Speaking about the weaker man in the coastwise trade, what could be done to protect him in the foreign trade against the conference lines?

Mr. SCHWERIN. Join the conference.

The CHAIRMAN. Suppose they will not let him in?

Mr. SCHWERIN. Oh, they will let him in. Anybody can join the Hongkong or the Japanese conference that wants to. It is open for anybody to join.

Mr. HARDY. And participate in all their advantages?

Mr. SCHWERIN. In all the benefits, or advantages or disadvantages. Each line stands on its own bottom in the conference, Judge. The competition is just as keen among members of the conference as though the conference did not exist, so far as trans-Pacific business is concerned from the Orient to the United States. Each line is out for all the business it can get, but the conference rates are based upon the proposition that if a tramp steamer comes in and advertises freight, offering, we will say, to lay a ship in at Kobe on the 23d of such and such month, and at Yokohama on such and such a month, destined for three ports in the United States. Now, the man that puts that steamer up in the paper may never intend to lay that steamer on. The shippers all go around to the concern and ask what ship it is. Well, she is to be named later. They ask what his rate is, and then

they come around to us and say, "Such and such a ship is to be put on the berth and we will give you our freight if you will meet their rates." We fell for that for about a year and a half, and we found the fellow had been shipping by other ships a whole lot of cargo to the United States by putting these notices in the paper. Then we said, "All right, get your own ship." Some one got pretty badly caught on that proposition, because there was no ship. Yet, again, he could have had a ship; the firm was big enough to handle a ship if the tonnage had been offering, but just as soon as he sent this information through the shipping community and he discovered we were going to meet the rate of the mythical ship, he did not bother about that ship any more.

Mr. HARDY. That was a kind of trick he put up on you?

Mr. SCHWERIN. Of course he was in the business the same as we are. The shipowners are not always the wicked ones.

Mr. HARDY. You have noticed, I think, that I am a great believer in the weakness of human nature. I think we all have little selfish leanings.

The CHAIRMAN. What provision have they in the Trans-Pacific conference in the way of fighting ships to defend yourselves against these independent lines that may want to butt into the trade?

Mr. SCHWERIN. I do not think there is any, sir.

The CHAIRMAN. The testimony here has developed they have such a machine as that.

Mr. SCHWERIN. Oh, this Asiatic conference is a mere baby compared with some of the other conferences. It has not got off the milk bottle. It is a very weak proposition.

The CHAIRMAN. It has promise of healthy growth under favorable conditions, however, has it not?

Mr. SCHWERIN. I suppose the members hope so.

The CHAIRMAN. If nursing and care will produce that result?

Mr. SCHWERIN. The situation with the conference lines is merely as a protection against the Suez line competitors; it is more to hold their own business against them, as I explained before.

The CHAIRMAN. Your competition is with the lines coming through the Suez Canal, is it?

Mr. SCHWERIN. Yes, sir.

The CHAIRMAN. And on a handicap, of course, in the transcontinental railway haul, which must be considered in connection with the water rate from the Far East, if the traffic comes by way of the Pacific, as against the all-water route if it comes through the Suez Canal?

Mr. SCHWERIN. Yes; you see these rates, in normal times, meet somewhere along what we call the Missouri River territory. The Suez rates have to be distributed by rail into the interior, and our goods coming across have to be distributed by rail, and our shorter water route met their shorter rail route in Missouri River territory.

Mr. HARDY. That is, the actual cost of the service by rail and water was about equalized in that Missouri territory, was it?

Mr. SCHWERIN. Yes, sir.

Mr. WILSON. What is meant by the Missouri territory; is it the territory west of the Mississippi or west of the Missouri, or any distinct dividing line there?

Mr. SCHWERIN. East of the Missouri River, taking the Missouri River east.

Mr. HARDY. Along about Omaha?

Mr. SCHWERIN. No; farther east than that. They call the different territories the Grand Trunk and the Southeastern, the Mississippi and the Missouri River territories in the dividing up of the tariff rates of the United States, and we meet them in Missouri, Arkansas, Iowa, and all along through there.

The CHAIRMAN. Again referring to the coastwise traffic, do you think no law should prohibit discrimination in the rates as between the large and small shipper? I will state, in this connection, that we have many complaints that discrimination exists.

Mr. SCHWERIN. No, sir; I believe that every shipper, large or small, should have absolutely the same rate for his goods and a commission have control over the rate.

The CHAIRMAN. What would you say, in that connection, with reference to the foreign trade?

Mr. SCHWERIN. The foreign trade is so absolutely different from the coastwise trade that it is a very difficult thing to put them on a parity. The coastwise trade is very largely made up of package trade; the foreign trade is very largely made up of express trade and large bulk trade. It is not a very difficult thing to measure the aggregate shipments of the coastwise business, making a certain tonnage for a year and figuring on making a certain allowance for that amount of tonnage; in the foreign trade a man may give a ship that amount of tonnage in one single shipment and may do it every week in the year. I do not believe you can compare these situations. I think you ought to leave the foreign trade as untrammelled as you possibly can if you intend to build up the exports of this country. The more you hamper that trade the greater the danger to our exports, as it is in the hands of foreign carriers. All you have to do is to watch and see that they are fair to our export interests; that they safeguard those export interests; that they give all the facilities that the export interests demand; and that they do not attempt in any way to curtail the free movement of tonnage from this country abroad. Now, when it comes to bringing goods back to this country, I do not think we have anything to do with it. That is not our pigeon at all. It is up to the importers to get busy and use their own brains and get the business back to this country, and I do not think the jobber or consumer or anybody else has the right to dictate to the foreign carrier. I think we would have the right, if we had our own bottoms and we could give our own bottoms whatever assistance we thought necessary and send them out in the world and say, "Now, we are paying you this amount of money, we expect our consumers to be protected by these rates," then you could regulate the foreign shipowners' rates by the rates that the Government made on Government aided lines, but it would cost you a bag of money before you got through with it to get on that plane; and as this country shows no desire whatever to upbuild its own merchant marine, I think it should be very careful how it attempted to curtail and hamper the foreign export traffic, and curtail the only carrier we have got to serve it—and that is the foreign bottom. We should be just as liberal as we can possibly be; and it does not make any difference what you do, you will always find some dishonest importer or exporter who has not been able to make a trans-

portation company come through as he wanted it to and has not been able to pirate them as he wanted to, who will be agreeable to making some very disagreeable assertions. I can give one instance where a merchant of San Francisco came into my office. He was one of the four big importers of San Francisco, and he gave me to understand that unless I would give him \$1 better than any other importer of San Francisco, regardless of what the rates were, that he would ship all his goods into San Francisco via the port of Seattle.

I knew pretty well what the business of the three firms was. I told him I could not do it. In the first place I told him it was highly improper for me to do it, it was not fair to the other firms; and then, I said, the rates are low and do not warrant it; we were carrying freight from Japan for about \$3 a ton. Finally he said, "Mr. Schwerin, I will give you my ultimatum: Unless you do this I will ship every pound of my business via Puget Sound," and he said he would give me 24 hours in which to think it over. I told him I did not need 24 hours; and I said, "As long as you have given me your ultimatum I will give you mine." He said, "What is it?" I said, "The moment you give your business over to the Puget Sound I will give your competitors a rate of \$1 better than any rate you can get via Puget Sound." I sent for the three shippers and told them the story, and that man has never spoken to me from that day to this except when he had to, and that is what we are up against. You speak about the carriers giving a rebate; here is a demand made by a merchant to get an advantage over his fellow merchants. Mr. Wilson, it is not always the carrier that causes the discontent; the carrier is seeking to create the channel of least resistance, and it is the shipper who wants to get something better than his competitor so he can undersell his competitor, and he uses the carriers to accomplish that end.

Mr. WILSON. Is it not sometimes a combination of both?

Mr. SCHWERIN. No; I think no carrier would give up if he could possibly help it.

Mr. HARDY. Mr. Schwerin, I think I understand you, and you set out very strongly the matter the whole question involves. You think the carriers would rather treat everybody alike.

Mr. SCHWERIN. Sure; they would be delighted if they could.

Mr. HARDY. But it is human nature to look after one's own interests; very frequently they will be persuaded it will be to their advantage to give advantages to one man, not because they love him better than somebody else, but as a matter of protection, to give the advantages which are not of benefit to the public at large. You may be forced to do it.

Mr. SCHWERIN. Suppose a man comes into our office and he has some four or five 20-ton lighters to ship down to Ocos. Our tariff, we will say, is \$200 a lighter for 20-ton lighters, and he says, "The Kosmos Line will take them down for \$150 apiece; I will give you \$150 if you will close now." What are we going to do?

Mr. HARDY. I just made that proposition, that you have large shippers and small shippers, and there is competition between you and other men, and the large shipper, with the bulk freight, would go to first one and then the other and get the best rate he could.

Mr. SCHWERIN. It always has been done.

Mr. HARDY. And that is going to produce discrimination unless forbidden, because you are both subject to the ordinary influences of human nature; and if you get a large shipper and he is going to give all of his business to somebody else, it will mean you are going to come to terms.

Mr. SCHWERIN. Suppose a large foreign exporter should come to you and say, "I have 15,000,000 pounds of tea to ship a year." He owns and controls 15,000,000 pounds of tea, and he would say, "I will give you this 15,000,000 pounds of tea provided you grade the rates," and your rates are \$1.50, with 10 per cent off, and so on, down to nothing, you understand, as rates may fall under competitive conditions. All that would be swept away if you would allow the steamship companies to make arrangements among themselves and let them know it was absolutely legal to submit those arrangements to a tribunal that would look over and criticize them, and it would be helpful to the steamship companies to safeguard their business in a reasonable way and not with the idea of trying to grasp everything there is, but to name reasonable rates to keep everything moving.

Mr. HARDY. Then, if the rate named was reasonable, there would never be any objection?

Mr. SCHWERIN. I quite agree with you. I also would like to impress this upon you, that those steamship men will not keep their jobs who undertake to install nonproductive rates. That is a self-evident axiom.

Mr. HARDY. Have you not named the limit already, unless it is to get productive rates?

Mr. SCHWERIN. And the conditions of the trade.

Mr. HARDY. Would there not be combination where competition ceased?

Mr. SCHWERIN. There can not be any combination. For instance, the United States would not allow a pooling arrangement in New York City to pool with any other pooling arrangement, we will say, in Europe, to control a certain kind of South American business. It would allow a pooling arrangement to control the business from New York to South America and back again, and from Europe to South America and back to Europe again, but it would not allow these two pools to combine together in a common pool. Do I make myself clear?

Mr. HARDY. Yes.

Mr. SCHWERIN. To either shut out all New York if it wanted to, or to shut out all of Europe. Each pool would stand on its own bottom, and that is where the influence of the Government would be felt, and that would relieve the situation.

Mr. HARDY. I do not know that you make yourself clear as to how the Government would figure in it.

Mr. SCHWERIN. You would submit your pooling arrangement to the officer who had charge, you would go on and do your business, and the Government would have the right at any time to call for the members of the pool to go over the situation with them, for an explanation, or for some modifications to be made in the pool which the Government did not think just right. We might be able to persuade the Government we were right, or the Government might say, "That is not right, and you will have to change so-and-so."

Mr. HARDY. In other words, pooling under Government supervision you think would be all right.

Mr. SCHWERIN. Yes.

Mr. HARDY. I am afraid on the railroads there is just that thing, practically.

Mr. SCHWERIN. Practically the Interstate Commerce Commission has pooled all the railroads in the country; there is not a shadow of doubt about that. They have everything except the financial responsibility, but the rates are all made by the Interstate Commerce Commission.

Mr. WILSON. Suppose you would not be able to persuade the Government your arrangement was all right, then where would the influence or the power of the Government come in?

The CHAIRMAN. They could make them change it.

Mr. WILSON. What power would you propose to give the Government to make them change it?

Mr. SCHWERIN. I should give the Government the power to break the arrangement if in its opinion it was not correct, just exactly the same as Mr. Wickersham is divorcing the affairs of the Union and Southern Pacific. They are trying to meet Mr. Wickersham's interpretation of that divorcement, I take it, and naturally if a pool was before an officer of the Government who was criticising some features of the pool, rather than disrupt the whole pool we would meet that criticism and bring about a condition which would be satisfactory to the Government.

Mr. WILSON. That is, provided you would give the commission power to dissolve the pool. Would you go to the extent of giving the commission power to dissolve the pool?

Mr. SCHWERIN. I would not consider the United States Government was a dignified Government if it passed a law and had the right of criticism, without the right to dissolve.

The CHAIRMAN. You would give it the absolute power to determine whether or not it is reasonable.

Mr. SCHWERIN. The Government has that right the moment it undertakes to handle the situation.

The CHAIRMAN. What would you say as to the practicability and desirability of requiring contracts with shippers to be filed with the commission, not to be made public, but merely to compel them to be filed with the commission?

Mr. SCHWERIN. There again, if you will permit me, I criticize the question of these things being compulsory. I should think that the law would be better if the Government had the right at any time to call on the steamship companies for contracts they might have with shippers, or call on shippers for any contracts they might have with carriers, having the right to cancel or abrogate or do what it pleased with them if, in its opinion, they thought we were doing something wrong, but to let the business go on and let us make contracts with the knowledge that the Government has the power to call for them.

The CHAIRMAN. If complaint was made that there was discrimination, the Government would have the power to call for the contract and determine whether or not there was just cause for complaint.

Mr. SCHWERIN. Yes.

Mr. HARDY. What would be your suggestion in case the remedy in the hands of the Government was not adequate; to allow it to continue?

Mr. SCHWERIN. Oh, no; just to cancel it. A man is trying to do business, and there is no reason why that should not reach the evil results, because the Government officer can call for these things as often as he likes.

Mr. HARDY. What good would it do to a man who had been run out of business by lower rates being given to his competitor if that is simply being found out after he is suppressed?

Mr. SCHWERIN. He would probably scream long before that time.

Mr. HARDY. He might not know where he was hurt for a good while.

Mr. SCHWERIN. By golly, he ought to go out of business if he does not know where he is being hurt.

The CHAIRMAN. Someone who has appeared before the committee has suggested it would be a good thing if each ship before clearing should be required to file a manifest. I do not remember that it was suggested with whom, but some responsible authority on the dock, so that the shippers might all know that they were all treated fairly.

Mr. SCHWERIN. God help us if that ever takes place. Why, the United States customhouse to-day would not let you see a manifest under any circumstances. If you can get any information of a ship's manifest, you have either got to get it by skullduggery—you buy it, or get it in an underhand and illegal way; that is a confidential document of the Government; because if I am a carrier and I can get the manifest of any other ships I would skin around to all that fellow's clients and try to get that fellow's business away from him.

The CHAIRMAN. That is the reason I wanted to get your viewpoint. That was his suggestion.

Mr. SCHWERIN. We have to file with the customhouse our manifests. We have so many papers to file now before we can go to sea that it is pretty hard to get away from the dock. [Laughter.] The Immigration Bureau just put in a new card system of indexing, and they told us we would have to keep our files according to their indexes. The customhouse has another set of indexes, and we have another set, and it is a pretty tough proposition. And if there is a commission for this thing, and a man makes a complaint, who believes he is suffering an injury by a wrong rate, the commission could look up the manifest and see what the rates were. But if it was to be everybody's business, and it was posted up so that everybody could consult it and see how many goods I was selling to Bill Jones, Moses Levy would get a chance to write down and say, "I see you bought flour of so-and-so; I can sell you a very much better flour than he can for 10 cents a hundred less, and you let me take your business."

The CHAIRMAN. You think it is wholly impracticable?

Mr. SCHWERIN. I think it is a release of trade secrets.

The CHAIRMAN. Which would not be fair?

Mr. SCHWERIN. It is not fair.

Mr. THAYER. Is it not only a short way of finding out the trade secrets? Are they not known to-day, practically?

Mr. SCHWERIN. How?

Mr. THAYER. You say these manifests, if they were filed, would disclose that information. Does not a man know who his competitor's customers are, and what goods he is selling?

Mr. SCHWERIN. I do not know how you could find out to whom I am shipping unless you see the ship's manifest.

Mr. THAYER. I think if I were in a trade I should know pretty well what other men were selling, and where the goods were going.

Mr. SCHWERIN. You might, but you would not know all. You could infer that, but you could not get right down to what was going on.

Mr. THAYER. I could get near enough to go around and deal with his customers.

Mr. SCHWERIN. I have no doubt that is so.

Mr. THAYER. So I say it practically amounts to nothing.

Mr. SCHWERIN. Yes.

Mr. HARDY. I just want to ask you one question. You say that the reasonableness of rates depends upon whether it is prohibitive?

Mr. SCHWERIN. No; I do not know as it is fair to interpret my testimony that way. The rate may not be prohibitive, and yet may not be a reasonable rate. What I call a reasonable rate is one that in no way hampers the movement of the commodity, and at the same time gives a fair return on invested capital that may be carrying that rate.

Mr. HARDY. That is quite a considerably different definition from what I understood you to give earlier.

Mr. SCHWERIN. That is my idea of a reasonable rate.

Mr. AYRES. Mr. Schwerin, there is one thing I wish you would elaborate a little more, please. In your statement you seemed to be rather hopeless of the possibility of ever building up the American merchant marine. What makes you feel that way?

Mr. SCHWERIN. If you had struggled for 20 years as I have, taken a line that was a million and a quarter in debt, and practically in the hands of a receiver, doubled that line up by slow, hard process, until you had gotten into Korea and Siberia, which you were told would be your graveyard, and then you got Mongolia and Manchuria, and were told that would settle it; and then, against all the better judgment of your associates and friends, you raised \$12,000,000 to build four 37,000-ton ships to put in the trade from New York to the Philippine Islands, and a million and a half to change these four ships to the latest modern types, and you were defeated by Congress—prohibited by Congress from building those ships—I think you would be a little discouraged. I want to say that I am done with the American flag forever. I would not raise my hand to raise a dollar for the American flag. My interest in this business before this committee to-day, gentlemen, is absolutely because I am practically subpoenaed here. I have no interest in the shipping business. I am about to retire. I have given 20 years of my life, morning, noon, and night—slept and breathed with it—to see that flag on the ocean, and I am just as certain as I sit here that if those four ships had been built I would have had four more for the coast of South America, and four more equal to the *Imperator* that is going to run to Europe, all under the American flag.

Mr. AYRES. What do you mean by "being prohibited by Congress from being able to build those ships"?

Mr. SCHWERIN. What is the use, gentlemen, of going back into that? You thrashed it out here last winter, and prevented any ships having railroad affiliations going through the canal—tangled the thing up—so that you are practically a criminal here—

Mr. AYRES. I did not understand what you meant at the time.

Mr. SCHWERIN. No more American ships for me; I am done.

The CHAIRMAN. Give us the lines that trade from the Pacific coast to the Hawaiian Islands?

Mr. SCHWERIN. The Matson Line—the Matson Steamship Co. We handle a little business now and then from the coast to the Hawaiian Islands, but nothing from the islands to the coast, except—yes, we have bananas; we did handle bananas there; but they are prohibited now—and then we handled some canned pineapples; but Matson has practically a monopoly of that trade, and Spreckels is on again; I think he runs one steamer down there. I do not know much about the business there.

The CHAIRMAN. You have no agreement with him?

Mr. SCHWERIN. Not with anybody.

The CHAIRMAN. How?

Mr. SCHWERIN. No agreement with anybody that I know of.

The CHAIRMAN. Tell the committee how many ships the Pacific Mail now has—the number of ships and the amount of tonnage.

Mr. SCHWERIN. I could not give you that. We have been breaking up some and tying up others; I do not remember what we have in operation in the last three months. We have condemned some.

The CHAIRMAN. Approximately?

Mr. SCHWERIN. I think there are about 17 ships, which would probably run about 90,000 tons; maybe not as much as that.

The CHAIRMAN. Are there any other questions by any member of the committee?

Mr. THAYER. You disagree with the magnates of the steel industry that publicity is the remedy for the evils?

Mr. SCHWERIN. Sir?

Mr. THAYER. You disagree with the magnates of the steel industry that publicity is the remedy for the evils which afflict your particular line of trade?

Mr. SCHWERIN. I do not believe I understand you yet. [The stenographer read the pending question, as follows: "You disagree with the magnates of the steel industry that publicity is the remedy for the evils which afflict your particular line of trade?"] No; the evil that afflict our particular line of trade is that there is absolutely a tremendous lot of windy enthusiasm about the American flag on the ocean, but there is not one single, solid, practical spark to merit that conflagration.

The CHAIRMAN. I agree with you that we have lots of patriots that would be perfectly willing to buy and navigate ships if the Government would foot the bill.

Mr. SCHWERIN. I did not ask for any Government aid, Judge.

The CHAIRMAN. I know you did not, but I say we have a lot of that type of people.

Mr. SCHWERIN. I did not ask for anything, except to be permitted to build the ships.

Mr. WILSON. Do I understand that you are going out of the shipping business, so far as the American flag is concerned?

Mr. SCHWERIN. Yes, sir; and your bill will wind up the American flag on the Pacific Ocean. That ends it.

Mr. WILSON. I was simply going to ask a question as to whether it was your intention and had your mind fully made up to go out of the business whether the Wilson bill passed or not?

Mr. SCHWERIN. Why, I do not think there is anybody who could have any more enthusiasm than I had when I came to Washington with this money in my pocket to spend for American ships. I never dreamed I would get turned down, and such a thing never entered my head. On top of that, when I saw what I was up against, I heard of the bill that abolished the Chinese crews.

Mr. WILSON. That bill is not yet passed.

Mr. SCHWERIN. It passed the House.

Mr. WILSON. Yes; it passed the House, but it has not yet passed the Senate, and I was simply curious to know whether you had made up your mind to go out of the business whether that bill passed or did not pass.

Mr. SCHWERIN. Mr. Wilson—

Mr. WILSON. In other words, is it your purpose to stay in the business if that bill does not pass?

Mr. SCHWERIN. Mr. Wilson, I explained before that the canal bill will put the Pacific Mail out of business, so far as the Panama route is concerned, by law. You understand that, do you not?

Mr. WILSON. I understand your position.

Mr. SCHWERIN. By law, do you not see; that is a clause in the canal bill.

Mr. WILSON. Yes.

Mr. SCHWERIN. Now, that means that the Central American and Mexican business will fall naturally as a correlative part of that service. The only thing left is the trans-Pacific business. It has not paid any more than its operating expenses. The shift over to the European crews, if you could get them, means a difference on those seven ships of \$600,000 a year. The United States Government is not using white crews. They could not operate on the Pacific with white crews. They are using Filipinos, and they have a service there in the transports, which, if we gave a like service on our passenger—

Mr. WILSON. What kind of crews do they use?

Mr. SCHWERIN. Filipinos.

Mr. HARDY. You do not think Congress would pass a law that would give your company a harder deal than the Government itself proposed to work under?

Mr. SCHWERIN. How is that, sir?

Mr. HARDY. I say that I agree with you that certainly the Government ought to abide by the laws it makes for other people; and if it does not do it, it is an outrage on you. I do not care what it is.

Mr. SCHWERIN. The Filipinos are good American citizens.

Mr. HARDY. You have the same right to employ them as the Government has?

Mr. SCHWERIN. We can not train Filipinos for high, first-class service. I would be ashamed to run such a service with paid passen-

gers. The experts who have gone over the Wilson bill acknowledge that there is not a ghost of a show for a Chinese crew, and Mr. Fureseth has told me the bill was aimed at the Chinese crews. There is no question about that.

Mr. HARDY. We can not argue that.

Mr. WILSON. Did I understand your position to be that the Pacific Mail Steamship Co. would be going out of business or simply that you were going out of business?

Mr. SCHWERIN. Well, personally, I am going to stay with the proposition until she goes "over the dam," but I say that the Pacific Mail has got to go out of business.

Mr. POST. Do you mean the Pacific Mail is going out of business or going to continue under some other flag?

Mr. SCHWERIN. Well, I do not know what the owners might do with it, but owing to the dissolution that has taken place in New York, the Pacific Mail is in jeopardy just at the present time. You see, as I understand it, the lawyers tell me that the railroads can not absorb any of the debts of the steamship companies, although they may be stockholders in the steamship company. The Pacific Mail is an entirely independent corporation and has been operated entirely as an independent corporation. The railroads have never attempted to interfere with it in any way. It has stood on its own bottom, lock, stock, and barrel. If the Pacific Mail can not pay its bills, it has got to pass into the hands of a receiver. What its future may be I do not know.

Mr. HARDY. There is nothing to prevent the Pacific Mail from going through the Panama Canal if it is not owned by railroads.

Mr. SCHWERIN. Oh, no; not at all. If that stock is all held—there is no question about the ships being sold to somebody else and going on and doing the business, but I take it for granted that there are not many people who are willing to invest in \$10,000,000 of property—

Mr. HARDY. Is it a fact that the Pacific Mail is unwilling to continue in business unless it can have the railroad connections that will give it advantage over other lines?

Mr. SCHWERIN. No; not at all. It has no railroad lines that give it advantage over other lines.

Mr. HARDY. If not, why not let it run independently, and what objection is there to that law that railroads shall not own canal vessels?

Mr. SCHWERIN. I say you are lopping off. When you lop off the Central American business you are lopping all that edge of it; that is, half of it.

Mr. HARDY. You have the trans-Pacific left, have you not? The point I am getting at is, if there is no advantage in the railroad connections, then there is no reason why the Pacific Mail should cling to the railroad connections; then let it run along and build its boats and sever its railroad connections. There must be some reason why the railroads want the boats.

Mr. SCHWERIN. I have explained that so many times that I hate to take up this committee's time on it.

Mr. HARDY. If you have done it in this record, I will read it.

Mr. SCHWERIN. Not before this committee, I think.

The CHAIRMAN. It was in the hearing on the Panama bill, before the Committee on Interstate and Foreign Commerce.

Mr. HARDY. I can read the discussion there.

The CHAIRMAN. You referred to the Wilson bill as having been framed with "malice aforethought."

Mr. SCHWERIN. You have hit pretty hard at me to-day, with the idea that I came here "bottled up." I was willing to give you everything that was in me, and you seem to think to the contrary. I am really expressing my honest opinion of the result of the Wilson bill. I do not do it because Mr. Wilson is here. He just happens to be in this committee, and these things are relevant to it.

The CHAIRMAN. As to the clause in that bill, that you say is aimed at your Chinese crews, I say to you frankly what I stated in committee, both the subcommittee and the committee, that if I thought that was aimed at your crews and the effect of it would be to put them off your ships, I would not support that bill.

Mr. SCHWERIN. I heard you say that.

The CHAIRMAN. And I believe that now.

Mr. SCHWERIN. I heard you say that.

The CHAIRMAN. That is exactly the way that I feel about it now. The language of the bill is that no vessel, except those navigating rivers exclusively and except as provided in section 1 of the act, shall be permitted to depart from any port of the United States unless she has on board a crew not less than 75 per cent of which, in each department, are able to understand any order given by the officers of the vessel, nor unless 40 per cent in the first year, 45 per cent in the second, 50 per cent in the third year, and so on, exclusive of licensed officers, are of a rating not less than able seamen—are able to understand any order given the officers of the vessel—I think your statement before this committee was that while they could not speak English, or Spanish, or Italian, that they could understand any orders given by the officers of the vessel.

Mr. SCHWERIN. And pertaining to—

The CHAIRMAN. And that bill was modified so that it might not operate to your prejudice in using the Chinese crews in the Far Eastern trade, and I think it would not do it as modified.

Mr. SCHWERIN. Is there not another place in that bill, Judge, where they speak of a certificate the seamen has to have in his examination, and so forth?

The CHAIRMAN. There is a certificate required as to his being an able seamen.

Mr. SCHWERIN. And does he not have to be an able seaman when he mans the ship?

Mr. WILSON. That applies to deck hands only.

Mr. SCHWERIN. Exactly, but that winds up the Chinaman, does it not?

Mr. WILSON. He must have three years' service to be an able seaman, when he gets a certificate.

Mr. SCHWERIN. He must pass an examination in order to get that certificate?

Mr. WILSON. Not necessarily.

Mr. SCHWERIN. I believe you will see it works out my way, Mr. Wilson.

The CHAIRMAN. I quote from the Wilson bill:

No person shall be rated as an able seaman unless he is 19 years of age or upward and has had at least three years service on deck at sea or on the Great

Lakes. Any person may make application to any board of local inspectors for a certificate of service as able seamen, and, upon proof being made to said board by affidavit, under rules approved by the Secretary of Commerce and Labor, showing the nationality of the applicant and the vessel or vessels on which he has had service and that he has had at least three years service on deck at sea or on the Great Lakes, the board of local inspectors shall issue to said applicant a certificate of service, which shall be retained by him and be accepted as prima facie evidence of his rating as an able seaman.

Each board of local inspectors shall keep a complete record of all certificates of service issued by them and to whom issued and shall keep on file the affidavits upon which said certificates are issued.

The board of inspectors shall issue to said applicant a certificate of service if he meets the above-named requirements. There is no other examination nor requirements.

Mr. WILSON. If he makes affidavit to the fact.

Mr. HARDY. As I recall Mr. Schwerin's testimony, your Chinese crews were about the most successful on the ocean?

Mr. SCHWERIN. I have been going to sea all my life since I started in the steamship business, and I want to say that I have seen a good many nationalities, and if I were in a tight place I would not want any better crew than a Chinese crew to help me out, regardless of what is said of them.

Mr. HARDY. Do you not have more of them who could get that certificate than any other persons?

Mr. SCHWERIN. The trouble will be with the local inspector. What I mean by the Chinaman speaking the language of the ocean—he understands the language of the sea. I could make a waterman understand certain things and you would not know what I was talking about, and you could not make him do the same thing to save your life. Now, an ordinary inspector takes a man and gives him an examination to certify him for seamanship. There is not a Chinaman alive who would pass that examination.

Mr. HARDY. There is nothing in that bill which requires the inspector to examine him as to language at all. He gives him a certificate when he tells him he has served for a certain time.

The CHAIRMAN. We cut that whole matter out before this committee when we tried to frame it in form here. He could not be excluded if he understood the order of the officer. We did not understand a seamen ought to do less, whether it was sign language or in some other way. I think the meaning of that bill has been grossly misrepresented.

Mr. WILSON. There is nothing in it to prohibit the officer from giving his orders in Chinese, for that matter, if the officer understands Chinese.

Mr. SCHWERIN. I do not want to take up your time on this.

The CHAIRMAN. I simply wish Mr. Schwerin to understand my viewpoint in that matter, because I was in good faith, and I undertook to see that that bill was framed in a way it would not exclude Chinese crews on his vessels.

Mr. SCHWERIN. This language is pretty much the same. I appreciate your position absolutely, and I know how you expressed yourself at the time. Your words, as I recollect, were that you would not put the American ships to the disadvantage of foreign ships as long as the foreign ships carried these crews; something to that effect. It says here that these men shall be able to understand any order given by the officers of such vessels. Now, what I mean to say is this—

Judge Hardy picked me up on it—that the sailor language is a language unto itself, but I will venture to say that the best Chinese crew that goes to sea may not understand any order that may be given by an officer of the deck, and I will venture to say that they can be tripped just as I can trip the men of the Caucasian race or of any other race.

Mr. WILSON. The word “lawful” was in the original draft of the bill, and it was stricken out at the suggestion of the shipowners themselves.

Mr. SCHWERIN. Any order that is given by an officer to a man in the crew of a ship is a lawful order, unless it is something that makes the man demean himself; any order given on a ship is a lawful order. I may tell a man to get me a glass of water or go down and get my gloves out of my room; that is a lawful order. I may tell him to go and get my spyglass or go and get my patent-leather shoes; that is a lawful order. A Chinaman might not know what I meant by my patent-leather shoes.

Mr. WILSON. Do you think that would be a lawful order if it was not a part of his duties?

Mr. SCHWERIN. Certainly it is a lawful order; of course.

Mr. HARDY. Mr. Wilson says that at the suggestion of the shipowners the word “lawful” was stricken out. I do not remember about that, but I do not think your order for gloves or shoes would be lawful.

Mr. SCHWERIN. The best experts on the other side have decided on the wording and that the bill and the inspectors will knock the Chinese crews out.

The CHAIRMAN. Well, it has not been passed yet, and if there is any question about that the Senate Committee—

Mr. HIBBARD. There is no question over there. They have decided unanimously that every Chinese must understand every order given by the captain or by anybody else. They have no doubt in their minds but that paragraph means they must understand any order given in English.

Mr. SCHWERIN. In other words, he must speak English fluently.

The CHAIRMAN. If the captain wants his patent-leather shoes, he must understand that?

Mr. HIBBARD. Yes.

The CHAIRMAN. They have given it a very absurd meaning is all I have to say.

Mr. WILSON. It is not likely a captain is going to give an order to a sailor to find his patent-leather shoes if the sailor he gives the order to is not going to understand his order.

Mr. HARDY. As a solution of that, I believe this committee was in thorough accord that that provision meant he should be capable of understanding the ordinary sea orders, and if you can put any language in the bill by amendment to make it so mean I think this committee will accept that amendment.

Mr. WILSON. I have no objection to it so far as I am concerned.

Mr. DUFF. We tried to get Mr. Furuseth to agree to put in such language.

Mr. WILSON. There was no suggestion made here that I recall.

Mr. DUFF. No; not before this committee.

Thereupon, at 4 o'clock p. m., the committee adjourned, to meet again at 10.30 o'clock Friday, February 7, 1913.

FRIDAY, FEBRUARY 7, 1913.

The committee met at 11 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Ayres, Burke of Wisconsin, Thayer, Post, Faison, Greene, Humphrey, and Stephens of California.

TESTIMONY OF MR. F. S. GROVES, PRESIDENT PHILADELPHIA & GULF STEAMSHIP CO., PHILADELPHIA, PA.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your name and address and business connections.

Mr. GROVES. F. S. Groves. I am president of the Philadelphia & Gulf Steamship Co. and also agent and manager of the Baltimore & Philadelphia Steamboat Co., which plies between Philadelphia and Baltimore.

The CHAIRMAN. Do you prefer to make your statement before the committee asks you any questions?

Mr. GROVES. I presume I had better begin with a sort of preliminary statement.

The CHAIRMAN. We shall be glad to hear it.

Mr. GROVES. I suppose the first thing you want to hear is the history of the Philadelphia & Gulf Steamship Co.?

The CHAIRMAN. Tell us first if that is a corporation.

Mr. GROVES. Yes, sir; it is a corporation that I formed in 1909, incorporated in Wilmington, Del.

The CHAIRMAN. Under the laws of what State?

Mr. GROVES. Under the laws of Delaware.

The CHAIRMAN. And what is the capital stock?

Mr. GROVES. With a capital of \$1,000,000.

The CHAIRMAN. Who were the officers?

Mr. GROVES. The officers of the company were myself as president; at that time Mr. B. F. Crafford was treasurer; J. S. W. Holton, president of the Sterling Coal Co., was vice president.

I formed this corporation after a good deal of ventilation by the different civic bodies in Philadelphia—the Board of Trade, the Chamber of Commerce, the Commercial Exchange, the Lumbermen's Exchange, and others, who for a number of years had been talking about the revival of the trade between the port of Philadelphia and the South. After talking a great deal about the matter there seemed to be nobody who was willing to take the initiative to start the enterprise. I was a member of these different exchanges and I felt that if I would make an extra effort to start this movement I would get the support, not only of the merchants of Philadelphia, New Orleans, and others, but the backing of these commercial bodies. I addressed a communication to these different bodies and asked their cooperation, and they all passed resolutions. I do not suppose you want me to read them?

The CHAIRMAN. Just state the facts.

Mr. GROVES. I asked these different bodies to pass resolutions raising the line and promising it substantial support. After I got all these resolutions I undertook to raise the capital by subscription. I employed an agent and a lot of solicitors and we started to solicit the stock for the company, \$50 a share full-paid; everybody did the same. I headed the subscription myself and paid the money; nobody else. There was no bonus stock and it was set out as a fair business proposition, everybody taking an equal chance.

Mr. HARDY. How much of the subscription stock was actually paid in?

Mr. GROVES. If you will excuse me, I will come to that in a few moments. As soon as we started on this proposition we were met by opposition from the Southern Pacific Steamship interests and the Consolidated Steamship interests, and the Clyde people, who seemed to keep in touch with our solicitations, followed up our people, and tried to discourage in every possible way the subscription to the stock. We kept hammering at it, and eventually succeeded in getting something over \$400,000—about \$400,500—subscribed.

The CHAIRMAN. What companies did you mention were trying to thwart your efforts?

Mr. GROVES. The company owned by the Southern Pacific—that is, the Southern Atlantic lines and the Southern Pacific Steamship Co., plying between New York, Galveston, and New Orleans.

The CHAIRMAN. What lines are those?

Mr. GROVES. What they call the Morgan Line. They have a twice-a-week service from New York to New Orleans, and they connect with the Harriman interests at New Orleans; and they also have a line to Galveston.

Before we went into this proposition we took the matter up with the different railroad connections entering New Orleans, and also Philadelphia, and found they were very much interested in this line; they thought it would be a great benefit to the port and all the territory covering about New Orleans, and they promised their cooperation. In fact, Mr. Biddle, who was chairman of the Rock Island system at that time, and the Frisco system, was very friendly to us, and also the officers of the Texas Pacific; and they said they thought an independent line to New Orleans had a great future; that the opposition of those roads at that time centering in New Orleans was such that they did not care to solicit eastern business—that it could not be handled; that the Southern Pacific's ships were always full with their own freight, and therefore they were practically excluded. They thought an independent line would be fed by all the other interests outside of the Southern Pacific, and it would be a great benefit, and it would be a great earning line.

We got all that information before we started, and we had every promise of success. Then we went up against this competition, and when I succeeded in raising this amount of money I looked around to see where we could get some ships. I employed some of these New York brokers, and they reported there were two vessels we could purchase that belonged to the Ward Line, of New York—the steamer *Brunswick* and the steamer *Seneca*. I went over to New York and had an interview with Mr. Booth, who was then the president of the Ward Line, and had those vessels examined by our chief engineer as to their qualities and suitability to the business. They

were combination ships, passenger and freight vessels. I saw Mr. Booth and asked him about the vessels—about the condition of them—and he said the vessels were in perfect condition and they were laid up over in Brooklyn, and that they had no use for the vessels at that time simply because they had replaced them with all new tonnage. The vessels were too small for their business. I asked him if the vessels were for sale; and he said, yes—they wanted to sell them. I asked about a price, and the price was agreeable to myself. I told Mr. Booth that when we got in our subscriptions I would be very glad to take the matter up further with him and buy the ships, and he practically gave me a tentative option on those two vessels. He wanted for those ships \$112,000, which was a very reasonable price for vessels of that class. I suppose they cost, new, \$500,000 apiece. They were both thoroughly equipped with passenger accommodations. Unfortunately, by the time I got ready to buy those ships Mr. Booth died. The Consolidated Steamship Co. owned the Ward Line, the Clyde Line, and the Mallory Line, and all those boats.

THE CHAIRMAN. That is the Atlantic, Gulf & West Indies Steamship Co. that you call the Consolidated?

MR. GROVES. Yes, sir; the A. G. W. I.

Mr. Mallory was elected president of the Ward Line—the Consolidated Lines, and I went over and had a talk with the vice president of the Ward Line, and of course the thing was referred to Mr. Mallory. Mr. Mallory told my brokers that he would not sell those ships to me. He said, "I know Mr. Groves very well; I have nothing against him, but we do not want any competition. We will not sell those ships to be used anywhere on the Atlantic or the Gulf."

I understood they afterwards had a resolution passed by the board—I believe Mr. Mallory had it passed himself—instructing him not to sell those ships to be used on the Atlantic or the Gulf. The only place they could use them was on the Pacific coast. That was the only place they were willing to sell them. I took the matter up with a man out on the coast to see if I could not have the ships bought out there and then sent back. I found they had a string tied to their resolution, saying that those vessels, if they were sold on the coast, should never come back to be used on the Atlantic and Gulf. Of course that blocked that scheme. Then, after a great deal of trouble, I understood that the other lines in New York had made a sort of arrangement among themselves, a sort of gentlemen's agreement, that they would neither sell nor charter the Philadelphia & Gulf any steamers. So we were tied so far as purchasing any boats was concerned.

MR. HARDY. Did it occur to you that if you had purchased those ships for the Pacific coast and then brought them back to this coast that condition in the contract would have been held invalid?

MR. GROVES. I did not go that far. We had not the money to spend on any fight of that kind, and I did not want to take any chances.

MR. HUMPHREY. You did not want to invest in a lawsuit?

MR. GROVES. No, sir. We eventually succeeded in buying two ships from Mr. Bull, who, I think, was here last week. They were the steamer *Evelyn* and the steamer *Mae*.

THE CHAIRMAN. You spoke of a "gentlemen's agreement." Between what companies was that?

Mr. GROVES. Between the Ocean Steamship Co.—the Harriman interests—in fact, it was the whole combination. They all had a sort of understanding among themselves. Of course, these things are hard to prove, but that is what came to me. It was proof positive, because we could not get them.

The CHAIRMAN. All the lines interested in the coastwise trade on the Atlantic and Gulf?

Mr. GROVES. Yes, sir; that is practically the situation. Well, then about the time we got ready to buy these two ships there was a line running out of Philadelphia called the Southern Steamship Co. They owned a couple of boats, the steamer *Algiers* and the steamer *Shawmut*, which traded as an independent line between Philadelphia and Jacksonville and Tampa, Fla.

Well, when we got up to our little \$400,000, the first thing I knew I picked up a paper and I saw there a large advertisement:

New line to New Orleans. The Southern Steamship Co. has arranged for a terminal at New Orleans and will start the steamer *Evelyn* from New Orleans on June 1.

That panicked our subscribers, scared them to death, and stopped our subscriptions. Well, the inference was that that boat was put on by the Southern Pacific interests. They evidently had made some arrangement with the Southern Pacific Railway Co. to guarantee them against loss, or something of that kind, because when that ship went into New Orleans on the first trip she saluted all the Southern steamships when she went in and also when she came out.

My intention was never to start the line until I had the full million dollars subscribed, because I knew the proposition we were up against. The rate of charters is so high on the Atlantic coast and the ships are so limited; they are all owned by a few people, and you can not get ships unless you pay a price that makes it absolutely unprofitable.

Our people were all merchants, and did not know anything about the transportation business, and they insisted upon starting the line. I looked around to see if we could not charter a boat. They said, "If you do not do it these people will get located, and everything will go to pieces." I said, "Gentlemen, I would rather you would get someone else to run this line if you are going to run it on chartered ships." However, we succeeded in chartering a steamer called the *Luckenbach*, and we started in against this steamer that had started to New Orleans. After we got our own ship in operation we bought the *Evelyn*—she belonged to Bull and was under charter to the Southern Steamship Co. So we got our Gulf line. They put on one of their other boats for six or eight weeks, and then hauled it off. The sentiment of the people would not give them any freight. They turned their freight over to us and they would not give it to this line, and they practically dropped it.

Well, then, the fight went on, and we made our connections with the railroads, and we gradually worked up our business, but we could not get any other ships and we only had a service of every two weeks, sailing from each end every two weeks, which of course was not a service sufficient to carry the higher class of freight. We continued that service up to the present time, until we went into the hands of a receiver.

After we got under way and in operation we had the good will of all the shippers, and of course they gave us considerable business.

Mr. HUMPHREY. You did not state where you obtained your vessels, as I understand it.

Mr. GROVES. I bought the vessels in New York from a man named Bull, a gentleman who was here last week and testified before this committee. He has an independent line, what they call a tramp line.

Mr. HUMPHREY. How many vessels did you buy?

Mr. GROVES. Two, the steamer *Evelyn* and the steamer *Mae*. I had to pay a pretty good price to get them, too.

These people were still hammering at us, and when we got under way they found we were gaining and getting considerable business and they went to work and they started all kinds of underhand work with us, and I found they were even hiring men and putting them in our employ to get an insight into our business, our rates, and things of that kind. It then came to my notice that they were offering money to get copies of our manifests. I hired a young man—

The CHAIRMAN. Now, tell the committee at this point why it was desirable for them to get copies of your manifests.

Mr. GROVES. Because in getting the copies of our manifests they got the information of our shippers, who were shipping by us, so they could go out and follow them up and make what arrangements they could with them and induce them in every possible way to ship their goods by the Southern Pacific. The goods all moved via New York. There was no direct line out of Philadelphia. They diverted all their business via New York. That was what made the Consolidated Line so much interested in opposing us. They opposed us the same as the Southern Pacific was doing as a connecting line. They both worked in unison.

The CHAIRMAN. Who issues those manifests in the domestic trade?

Mr. GROVES. We have a manifest clerk who writes out those manifests, and they are copied, and a copy is sent—for stuff going south a copy is sent south, and for stuff coming north a copy is sent to our office. A manifest is really a list of the goods.

Mr. POST. Like an ordinary bill of lading?

Mr. GROVES. A bill of lading is a different proposition. It is a receipt given by the transportation company to a shipper, and those bills of lading are not merely kept on record. The manifests are where our goods are billed: for instance, a man will ship a hundred barrels of molasses, and it gives the name of the shipper, his address, the rates, and so on. The manifest gives the information as to who the shipper was, what he shipped, the rate he got, and everything about it.

Mr. HARDY. It is compiled in one paper?

Mr. GROVES. Yes, sir; it is a number of sheets with headings giving the destination, the rate, and the connecting line—

Mr. HARDY. Also the names of the shippers?

Mr. GROVES. Also the names of the shippers, and the consignees.

Mr. POST. You started to say you employed a young man, and did not finish that.

Mr. GROVES. I just wanted to get a letter here in reference to that matter [examining certain papers]. Now, here is a letter from this

young man whom I employed—his interview with Mr. Smith, who was the local agent of the Southern Pacific Steamship Co.—

The CHAIRMAN. Where?

Mr. GROVES. At Philadelphia.

The CHAIRMAN. Let that be identified by the stenographer and then you can read it to the committee.

The letter referred to was marked by the stenographer Exhibit No. 75, and was read by Mr. Groves, as follows:

EXHIBIT No. 75.

REPORT OF CONSPIRACY AND BRIBERY.

CHARLES WAGNER DETECTIVE SERVICE,
1818 CHESTNUT STREET,
Philadelphia, Pa., September 30, 1909.

Mr. F. S. GROVES,

President of the Philadelphia & Gulf Steamship Co., Philadelphia.

MY DEAR SIR: At 2.30 p. m. Mr. R. J. Smith, agent for the Southern Pacific Railroad Co., called at my office, but I was not in. He gave his card to a lady to be given to me; and also asked her what time I would be in. She told him that I would be in any minute, but he was unable to wait and asked her to have me call him up at his office on my return.

On my return to the office lady gave me card. I could not find name in the telephone book, but called in person at his office, 632 Chestnut Street at 4.30 p. m.

Mr. Smith asked me if I knew where Mr. Scott was, a former detective in the office which I now occupy. I told him, the last I had heard of Mr. Scott was in Harrisburg or Pittsburgh.

Mr. Smith wanted to introduce some work, but I said I could do it, so he explained to me what kind of work he wanted done, saying he wanted me to get an employee of the Philadelphia & Gulf Steamship Co. for inside information in regard to shipment. He wants this man to give him the copies of the bills of lading, the consumer, and the shipper. He was willing to pay this employee from \$35 to \$40 per month, and he also will pay me well for my service. I saw what Mr. Smith wanted and I started to draw him out.

He told me that he is receiving information now from employee of the Philadelphia & Gulf Steamship Co., but it is not satisfactory. He wants to get it down finer. I told him that I would let him know next day, meaning the 1st of October at 3.30 p. m. and on account of our having a consultation in the Lafayette Building, I was unable to see Mr. Smith until 3.35 p. m.

I met Mr. Smith at his office, 632 Chestnut Street. He was just leaving the office and told me to come ahead on the car with him and asked me how I had made out. I told him that I had made out all right, and I would give him more information to-morrow, meaning October 2.

On our way down in the car. he told me that the man from whom he now gets his information is the night watchmen at the Philadelphia & Gulf Steamship Co., but he (Mr. Smith) has caught him in several lies and can not depend upon him. Mr. Smith pays this man \$5 for each report that he gives him. Statement of Detective Wagner. I see this is a conspiracy and also bribery to injure the Philadelphia & Gulf Steamship Co.

I therefore report this matter to you and also after seeing your attorney, the proposition is made, to set a trap for the Southern Pacific Railroad's agent.

Yours, very truly,

CHARLES WAGNER.

Mr. GROVES. Now, on the strength of that letter I made a contract with Mr. Wagner—

The CHAIRMAN. That is, the detective?

Mr. GROVES. Yes, sir.

The contract referred to was marked by the stenographer Exhibit No. 76, and was read by Mr. Groves as follows:

EXHIBIT No. 76.

[Letterhead of Charles Wagner, detective.]

The undersigned hereby engage Detective Charles Wagner to furnish us with detective service for the purpose of such investigation as to us is necessary to protect our interests against the Southern Pacific Steamship Co., acting with our employees; and in consideration of the said detective service we promise and agree to pay to the said Charles Wagner the sum of \$6 per day for each and every day during the continuance of this contract. We also promise and agree to pay to the said Charles Wagner, in addition to the \$6 per day, all sums it may be necessary to incur that are purely incidental to the investigation. Two men to be employed. It is understood and agreed upon that the sum of \$6 is to be paid by us each and every operative that it may be agreed upon to engage in the service contracted for, as well as the expenses of the said operatives.

(Signed at Philadelphia.)

(Name) PHILADELPHIA & GULF STEAMSHIP Co.,
F. S. GROVES, *President*,

(Address) 506 Lafayette Building.

Dated SEPTEMBER 30, 1909.

Mr. GROVES. Here is a letter dated October 6, 1909. I presume you gentlemen want all these letters?

The CHAIRMAN. Very well.

Mr. GROVES. This is a letter from Mr. Wagner.

The letter referred to was marked by the stenographer Exhibit No. 77, and is as follows:

EXHIBIT No. 77.

[Letterhead of Charles Wagner, detective.]

OCTOBER 6, 1909.

Mr. F. S. GROVES,

President Gulf Steamship Co., Philadelphia.

MY DEAR SIR: After having a conversation with you and the treasurer this a. m., I left to go to the office of Mr. R. J. Smith, agent for the Southern Pacific Railroad Co., 632 Chestnut Street.

I met Mr. Smith at his office 12 noon, and he told me that he expected me yesterday (meaning Tuesday); but I made an excuse, and my excuse was that I was not ready to give him the information, and it was not ripe. I asked Mr. Smith if it was too late if I got one bill of lading from the last ship that sailed to New Orleans, and he said "No; it was not too late."

I told him that I will have one duplicate manifest for him on Thursday at 2 p. m. or 3 p. m. He then told me that he would be unable to see me on account of his having to go to New York. He was to be in New York to-day, but on account of not seeing me he stayed over a day. Mr. Smith also asked me if I have my contract that he made with me. I told him I did not have it, as it was in my safe at the office. He said that he would like me to bring that contract back to him and he would word it differently and sign a different name. He stated that in case anything might happen to me and this contract got into some one else's hands, that would start trouble, as he has been with the Southern Pacific Railroad Co. for 20 years, and the company is working hand and hand with the Gulf Steamship Co.; and if this would leak out that he employed a detective for the purpose of getting duplicate manifests from the Philadelphia Gulf Steamship Co. there would certainly be trouble.

He said: "I therefore would like you to return the contract, as I will word it differently and also put another name on it instead of signing my own as an agent of the Southern Pacific Railroad Co."

I told Mr. Smith that I will see him on Friday at 10 a. m.

Yours, very truly,

CHAS. WAGNER

The CHAIRMAN. What company does he mean in referring to the Gulf Steamship Co.?

Mr. GROVES. That is my company. The result of that was this: I got up some skeleton manifests and furnished them to Mr. Wagner. I am getting ahead of my story, however. I want to read this contract first. Here is the contract made by Mr. Smith in his own handwriting with the agent of the Southern Pacific Co., Morgan Line, Sunset Route.

The CHAIRMAN. Let it be identified by the stenographer.

The contract referred to was marked by the stenographer Exhibit No. 78, and was read by Mr. Groves as follows:

EXHIBIT No. 78.

[Letterhead of the Southern Pacific Co., "Morgan Line" and "Sunset Route," traffic department, Philadelphia, Pa.]

We hereby agree to engage Detective Charles Wagner to secure copies of manifests of all cargoes of the Philadelphia & Gulf Steamship Co.'s steamers between Philadelphia and New Orleans; and for which service we agree to pay \$7 per manifest of steamer.

This agreement to continue in effect until revoked.

October 2, 1909.

R. J. SMITH, *Agent*.

The CHAIRMAN. You say that is the original contract?

Mr. GROVES. That is the original contract, signed by Mr. Smith and written in his own handwriting.

The CHAIRMAN. With this detective, Wagner?

Mr. GROVES. Yes, sir. Now, then, I got some skeleton manifests of these steamers, and I had them delivered to Mr. Smith, for which he paid \$7 for each manifest; and here is the money which he paid, and the notes and the numbers of them, and his receipt for them. Now, he did not sign his own name to these receipts for these manifests. He began to get wise because he did not get that contract back, and he signed the name "Roberts"; but I have positive proof from Mr. Wagner and also from one of my own employees that I sent with him that it was Mr. Smith, who was well known to them, and they saw him sign his name "Roberts." To verify that I have the statement of my employee whom I sent up there——

The CHAIRMAN. Let those be identified.

The memoranda referred to were marked by the stenographer Exhibit No. 79, Exhibit No. 79-A, and Exhibit No. 80, and were read by Mr. Groves as follows:

EXHIBIT No. 79.

[Letterhead of Charles Wagner, detective.]

Received from Charles Wagner, through his assistant, John Cravin, duplicate manifest of the Philadelphia Gulf Steamship Co.

ROBERTS.

No. of bills, R71977993, \$1; R24312817, \$1; A26787842, \$5.

EXHIBIT No. 79-A.

[Letterhead of Charles Wagner, detective.]

OCTOBER 7, 1909.

Mr. R. J. SMITH,

*Agent, Southern Pacific Railroad Co.,
632 Chestnut Street, Philadelphia.*

MY DEAR SIR: Inclosed find a copy of the original manifest of shipment and a full cargo of the Philadelphia Gulf Steamship Co. of the boat that left last week.

The bearer, Mr. John Cravin, is my assistant. You pay him as you agreed, but do not have any conversation with him. I will also put in a receipt which you may sign with any name you desire, just so I know it got into your hands.

I am very sorry that I could not call personally on account of having to leave the city for the Reading Railroad Co. On my return I will see you in regard to the other matter.

Yours, very truly,

CHAS. WAGNER.

EXHIBIT No. 80.

[Letterhead of Charles Wagner, detective.]

OCTOBER 16, 1909.

Received from Charles Wagner, duplicate manifest of the Philadelphia Gulf Steamship Co. *Mac*.

ROBERTS.

(\$7 in bills numbered as follows: One, R49244808; one, T6181164; one, B88972418; two, D12933909; two, D65340823—\$7.)

Mr. GROVES. And, now, here is the letter which I had written by the man I had sent from our Ericsson Line office, a man whom I knew I could depend upon, so I could identify this man's signature—

The CHAIRMAN. Let it be identified first.

The letter referred to was marked by the stenographer Exhibit No. 81 and was read by Mr. Groves as follows:

EXHIBIT No. 81.

PHILADELPHIA, October 8, 1909.

F. S. GROVES,

*President, Philadelphia & Gulf Steamship Co.,
Philadelphia, Pa.*

DEAR SIR: On October 8, at 9.55 a. m., I entered the office of the Southern Pacific Steamship Co. on the Southeast corner of Seventh and Chestnut Streets and saw Mr. R. J. Smith at 10 a. m., and delivered manifests to him of the Philadelphia & Gulf Steamship Co., and in return received from him receipt and \$7, which I requested to be placed in an envelope and sealed and addressed to Mr. Charles Wagner. I left office at 10.04 a. m.

On October 16, 1909, I entered the same office with Mr. Charles Wagner at 10.25 a. m. and left at 10.42 a. m. Mr. Charles Wagner received from Mr. R. J. Smith a receipt for manifest of the Philadelphia & Gulf Steamship Co. and also \$7 in cash—three \$1 bills and two \$2 bills.

Mr. R. J. Smith made several remarks about this matter, and stated that his people in New York were very anxious to receive the manifests, and just as soon as he received No. 4 sheet he would mail them to the New York office. (The No. 4 sheet was a part of the manifest of the steamer *Lassell*.)

Mr. Smith also requested the No. 4 and 5 sheet of the steamer *Mac*, and also the full manifest of the steamer *Julia Luckenbach*, which was to receive. Mr. Smith also remarked the watchman on the pier was not suitable and would have to be replaced.

E. P. MATR

Mr. GROVES. That is one of my employees in the Ericsson Line, a boy I brought up. I sent him there so I could have dependable testimony.

The CHAIRMAN. Is he living in Philadelphia now?

Mr. GROVES. Yes, sir.

Mr. HUMPHREY. Does Mr. Wagner still live in Philadelphia?

Mr. GROVES. Yes, sir; as far as I know he does. The last I heard of him he was in Philadelphia, but I have not seen him for quite a long time. He has an office there.

Here is another letter from Mr. Wagner; it is practically a repetition of these others.

The CHAIRMAN. Let it be identified for the record. In that letter does he state having received those receipts and payment for those manifests?

Mr. GROVES. Yes; he does in this letter:

The letter referred to was marked by the stenographer Exhibit No. 82, and was read by Mr. Groves, as follows:

EXHIBIT No. 82.

[Letterhead of Charles Wagner, detective.]

OCTOBER 16, 1909.

Mr. F. S. GROVES,

President Philadelphia Gulf Steamship Co., Philadelphia.

DEAR SIR: According to your instructions, in company with Mr. John Craven this morning, we called with a duplicate manifest of Philadelphia Gulf Steamship Co.—manifest of steamer *Mae*.

We saw Mr. R. J. Smith, agent for the Southern Pacific Railroad Co., at 10.25 a. m. and handed him the duplicate manifest for which he gave me \$7. I herewith inclose the money and receipt he signed (Mr. Roberts), and he also stated that the New York office would like to have the manifest in full.

"We are short of No. 4, No. 5, and No. 4 from three different steamers," he answered the New York office, and that as soon as he got the full manifest he would forward it to them immediately.

I asked Mr. Smith if he would show me in what way he received reports from the watchman. He showed me and also Mr. John Craven, and I could see on the bottom D. Freeman or D. Freeman, watchman, and said, "This is what the watchman gives me and I am unable to make it out. I have to figure it out, but what you bring me here, is just what I want. You have it down perfectly fine."

I promised to have the balance of the sheets for which he asked me to have by Monday or Tuesday. He was very much satisfied and seemed very happy in receiving the last manifests.

Yours, very truly,

CHAS. WAGNER.

Mr. GROVES. After I got this information from Mr. Smith I tried to get Mr. Spence, general freight agent of the Southern Pacific at New York, on record. Of course, Mr. Smith was acting under his instructions. He was the general agent. He is now, I think, vice president in charge of all traffic of the Harriman interests. He is no longer traffic manager of the steamship line. So I sent Mr. Wagner over to New York to see Mr. Spence and have an interview with him. I said, "Mr. Wagner, you will have to be pretty cautious with Mr. Spence, because he is a pretty slick proposition. He is very keen, and I doubt if you will get very much out of him." So here is his letter.

The CHAIRMAN. Whose letter?

Mr. GROVES. Mr. Wagner's letter about his interview with Mr. Spence.

The letter referred to was marked by the stenographer Exhibit No. 88 and was read by Mr. Groves, as follows:

EXHIBIT No. 88.

[Letterhead of Charles Wagner, detective.]

OCTOBER 19, 1900.

Mr. F. S. GROVES,
President Philadelphia Gulf Steamship Co., Philadelphia.

MY DEAR SIR: According to your instructions received on October 18 from you in regard to J. L. Spence, G. F. agent of the Southern Pacific Railroad, would say, I left Philadelphia October 19 for New York, arriving in New York at 10.15 a. m. I arrived at 349 Broadway, but the Southern Pacific office had moved to 364 Broadway. I arrived at Mr. Spence's office at 11 a. m.

I was informed by his chief clerk (I think his name is Mr. Gray) that Mr. Spence was not in and that he left word in the office that he would return in half an hour.

I asked him if I might remain in the office until he returned. He said, "Yes."

At 11.20 a. m. Mr. J. L. Spence came to the office. After going into his own private office, the chief clerk asked me if I had a card, and I told him that I did not, but that I was Charles Wagner, from Philadelphia. He went into Mr. Spence's office, but he was holding a consultation with some men in his private office. His chief clerk came out and told me that he was unable to see him on account of holding this consultation and it would not be right to break in.

At 11.30 I told the chief clerk, if he would kindly try and see if I could get an interview with Mr. Spence, as I wish to go to One hundred and twenty-fifth Street by 12.30. He went into the private office of Mr. Spence and Mr. Spence came out. I introduced myself to him as Mr. Charles Wagner, of Philadelphia, and asked him if I could see him privately. He smiled and said, "I have heard about you."

Mr. Spence then said, "I am holding a consultation in the office," and at the same time I pulled out of my pocket the duplicate manifests of the Philadelphia Gulf Steamship Co. and handed them to him—Nos. 4, 5, 6, 7, and 8. He took them, walked three desks from the chief clerk, getting chair for me and for himself, and we had a private conversation.

The conversation was that I had an appointment with Mr. Smith this p. m. but on account of having an appointment in New York at One hundred and twenty-fifth Street it would be best for me to bring the manifest direct to him, and also to ask him if I could not get more money for the manifests as I had to pay more to get them. He said: "How would \$10 for the duplicate manifest?" He also stated that he was perfectly satisfied with the copies, and also said to keep this matter secret, which I promised him I would do. He also said not to let any of the people in the Philadelphia office know for what reason I had come to New York. If the amount is not satisfactory with your other party, I will make it more.

I said to Mr. Spence, if he would give me a letter to Mr. Smith in Philadelphia that hereafter to pay me \$10 instead of \$7.

Mr. Spence asked me how long it would take me to get manifest of the next ship. I said the next ship manifest will be *Julia Luckenback*, and it will take three or four days to get the manifest.

Mr. Spence said that he would send for Mr. Smith, meaning to-morrow. October 20, to come to New York; that he will give him instructions to pay me \$10 for the manifest hereafter.

He thanked me very kindly, and I thanked him for the same. I left his office at 11.40.

Yours, very truly,

CHAS. WAGNER.

Mr. GROVES. Then Mr. Wagner on November 9 got this letter from Mr. Smith.

The letter referred to was marked by the stenographer Exhibit No. 84, and was read by Mr. Groves as follows:

EXHIBIT No. 84.

PHILADELPHIA, PA., November 9, 1909.

MR. CHARLES WAGNER,
1318 Chestnut Street, Philadelphia, Pa.

DEAR SIR: This is to advise that I shall need no further information respecting subject mentioned in our conversation of October 2.

Yours, truly,

R. J. SMITH.

MR. GROVES. Now, these people kept on working on our employees for some time, and we had a man employed as a manifest clerk, and I could not understand how it was that they still continued getting the information. They seemed to know everything we did. There was not a thing that they did not seem to get on to. They seemed to have a regular secret-service corps somewhere to watch everything we did. They did everything they could to undermine us. They went around among our stockholders and tried to panic them and told them we were not going to last, and had them all up in the air.

THE CHAIRMAN. What effect did that have on your customers?

MR. GROVES. It did not have any effect on our customers to discourage them from shipping, except it did have an effect in this way, which I have not mentioned before, and that is the matter of insurance. They practically ostracised us on the insurance proposition which was very important. We had to equalize the rate of insurance charged by the Southern Pacific, which was about 15 cents on a hundred dollars. They brought influence to bear on the insurance people, and the insurance people sent out circulars to their customers, which are all the large manufacturing interests and the large shippers who carried floaters—what they mean by floaters is an insurance policy that is applicable to any line of steamers on which their goods happen to move. Of course, the shippers pay that insurance on a rate of about 15 cents. They notified these people that their floaters would not apply on ships owned by the Philadelphia & Gulf Steamship Co. That was a knockdown blow, and that practically eliminated our cotton shipments, and we had to pay in many instances as high as 70 cents to get some goods as against the 15 cents of the Southern Pacific. Eventually it drove most of that business away from us, all the higher class of freights.

MR. HUMPHREY. You started a while ago to tell about your clerk making out your manifests.

MR. GROVES. Yes, sir. We had a man doing our manifests at Philadelphia by the name of Joshua E. Staneruck. This man was formerly employed by the Clyde Line. He was very efficient in his business, thoroughly up on all the rates, and we assumed him to be a very valuable man. But there was somebody getting an account of our manifests, and we could not find out who it was, and so I put a watch on this man Staneruck; I did not like to be suspicious of the man, but I could not find out any other way they could get it, because we had our manifests all locked up at night. We followed him very closely and the very first thing we knew he sent in his resignation, and when we inquired the reason he said, "Oh, Mr. Smith, of the Southern Pacific, has got me a position with Lease, the leather man,"

a large customer of the Southern Pacific. So, of course, that rather increased my suspicions.

Then, I took a young man out of the Baltimore Steamboat office whom I had brought up from a boy. I put him up there in charge of the manifests, and he came to me one day in a terrible state of excitement. He said, "Mr. Groves, Mr. Staneruck asked me to meet him up here by the Reading Railroad office the other evening and I went up there to see him. He lives out there on the Reading road, and he wanted to talk with me. I went up there and he asked me if I would not furnish him with a copy of our manifests, and he said he would pay me for it. I told Mr. Staneruck I could not think of it. He said, 'Now, look here, Harry, where do you live?' " The young man had just got married. He said, "Winter is coming on. Wouldn't you like to have your coal bins filled full of coal?"

So the young man came down to see me in a great state of excitement. "Well, now," I said, "look here, Harry. I suspicioned that man and now that proves it. I would like to find out who the party is that is going to pay that money. I suspicioned that Smith got scared, and I have an idea it is the Clyde people. You try and find out from him who is getting the manifests."

So I got him to communicate with this man again, and this man, Staneruck, writes him this letter.

The letter referred to was marked by the stenographer "Exhibit No. 85," and was read by Mr. Groves as follows:

EXHIBIT No. 85.

PHILADELPHIA, November 1, 1910.

FRIEND HARRY: Everything arranged as you requested. Will you let me have the last one in and out on Friday evening, 6 p. m., same place?

MR. GROVES. He never signed his name to it at all. That will identify his handwriting—

THE CHAIRMAN. Do you identify that as his handwriting?

MR. GROVES. That can be identified as his handwriting. I think this man Harry could identify that. I have no doubt we have plenty of his handwriting up there on our records.

MR. HUMPHREY. Are you sufficiently familiar with it?

MR. GROVES. No, sir; I could not swear to it. So I got Harry to write him this letter.

The letter referred to was marked by the stenographer Exhibit No. 86 and was read by Mr. Groves, as follows:

EXHIBIT No. 86.

NOVEMBER 2, 1910.

DEAR JACK: Yours received and glad to know everything is arranged O. K. I don't want you to think that I question your loyalty in the matter, but naturally I must know who will guarantee me the position. I understand, as you stated Saturday, the third party was not to be shown, but it is rather shady passing the word along that I will be taken care of without any assurity. So I will have to be sure that I know where I stand before getting myself in a position that would be hard to get out of.

Trusting you will fix up some kind of an arrangement whereby I can meet the party in question. Hope you will be able to arrange matters satisfactorily.

HARRY.

Mr. GROVES. My idea in getting him to write that letter was that I wanted to find out who that third party was. I wanted this boy to meet him up there and find out. But I could not get it. Then I thought the matter over and I was going to have this Staneruck arrested. I was going to give this Harry the manifests and have him make arrangements with this man to pay him so much, and have the detective up there and when the manifests passed to arrest him. I had arranged to have him arrested, but after thinking the matter over I thought there would be so much publicity and such a hullabaloo that I dropped it and called Harry off and told him not to have anything more to do with him. And the thing stopped right then and there, and that was the end of it.

Mr. POST. Have you had trouble with your manifests since that time?

Mr. GROVES. No; the thing stopped then. I had copies made of that contract and sent them to Mr. Booth and Mr. Yoakum and some of those men, and they got onto it and that stopped all that kind of business.

Mr. POST. Is there a statute which penalizes conduct of that kind?

Mr. GROVES. I suppose there is. I had this up with Mr. Wickersham, the Attorney General. I know Mr. Wickersham very well; he used to be our attorney in New York. He sent his special man over to Philadelphia and he looked into this. I have his correspondence here. His special agent told me, "You can put those people in jail any time you want to." That is what he said. I never followed it up. The thing got so complicated that it would take all a man's time to keep up with them.

Now, in the competition with these people, there was a very large movement of molasses from New Orleans to Philadelphia, and the Southern Pacific bound up all those people under contracts, so we could not get any molasses under a rate of \$1.80 a barrel, with the understanding at the end of the season they were to give a rebate of 35 cents a barrel.

Mr. HUMPHREY. I do not understand the last part of your statement.

Mr. GROVES. That they rebate them 35 cents a barrel at the end of the season, with the understanding they ship the entire product by the Southern Pacific. They absolutely had them tied hand and foot.

The CHAIRMAN. Have you copies of any of those contracts?

Mr. GROVES. No; I did have some of them, but I do not know what has become of them.

The CHAIRMAN. Did you ever see copies of those contracts?

Mr. GROVES. I have, but I could not tell the exact nature of them. That was about the substance of it.

Mr. HUMPHREY. Were they printed contracts?

Mr. GROVES. They were written contracts.

Mr. HUMPHREY. Signed by the company?

Mr. GROVES. Signed by the company. Now, I will tell you a large receiver of that molasses, and I presume you would get this information from him. That is Stewart, of Baltimore, of Stewart & Gnatz, a large molasses receiver. He was the beneficiary of a great many of those rebates.

The CHAIRMAN. Can you name any other firm?

Mr. GROVES. Not right off. I presume I could get some of them. I presume this man Stewart could satisfy you as to the facts. I have no doubt he could get copies of some of those contracts.

Then when we got into operation we made application—

The CHAIRMAN. Have you any contracts concerning molasses where they agreed to pay rebates on the condition that all the shipments were by the Southern Pacific line?

Mr. GROVES. Those matters, Mr. Alexander, would not absolutely come right to my notice; it would to our traffic man. That was all in the hands of our traffic man, who was Joseph B. Cabell, of New Orleans. He is absolutely familiar with all that rebate system; a very able man, and he was familiar with a great many of the manipulations of the Southern Steamship Co. during this time. I presume if you wanted to get that information you could get it from him.

The CHAIRMAN. Where is he?

Mr. GROVES. He is at New Orleans.

Mr. POST. Have they continued this rebating up to the present time?

Mr. GROVES. No; we broke that up. We put in a rate on that molasses less the rebate. Then they had nothing to rebate on. We put in an open rate less the rebate—\$1.40.

The CHAIRMAN. What effect did that have on your business?

Mr. GROVES. It had this effect: We did not get any other business because they held a threat over those people and said it would be only a short time until we went out of business. They held a threat over them—

The CHAIRMAN. Although you cut the rate?

Mr. GROVES. We made the rate \$1.40, less than the rebate; practically what they were getting.

Now, when we went into operation we made an application for membership in the Southwestern Traffic Committee of New York, of which Mr. Spence, of the Southern Pacific, and other allied lines were members. Well, after a great deal of trouble they positively refused to admit us to membership in that association. I have all the correspondence here with Mr. Cabell, who was then our traffic manager covering this proposition. It was eventually turned down. Mr. Biddle, who was chairman of the Frisco and Rock Island system, was a member of that committee and he did everything in his power to get us representation, but they had a rule there that there had to be a unanimous vote of the committee before they would admit us, and therefore we were turned down. Here is all the correspondence, and here is a letter to Mr. Cabell from Mr. Biddle—

The CHAIRMAN. Take up each letter. Read them to the committee, and let them be identified for the record—those that are relevant.

The letters referred to were marked by the stenographer Exhibits No. 87 to 103, inclusive, and were read by Mr. Groves as follows:

EXHIBIT No. 87.

[Southwestern Tariff Committee, Office of Chairman, Century Building.]

(Personal.)

ST. LOUIS, Mo., November 29, 1909.

(Please refer to file 19477.)

Mr. JOSEPH B. CABELL,

Traffic Manager, P. & G. S. S. Co., Philadelphia, Pa.

DEAR SIR: Replying to your personal letter of November 26, file 17:

I have no suggestions to make as to your further course in connection with your desire for membership in this committee. You are aware of the fact that the application was originally presented to and considered by the rate committee at New York last summer, and upon its failure of adoption was referred to the executive committee. That committee has declined it. This concludes the matter unless it should be again brought up by some of our members.

Yours, truly,

F. A. LELAND, *Chairman.*

EXHIBIT No. 88.

17

NOVEMBER 26, 1909.

(Personal.)

Mr. F. A. LELAND,

Chairman, Southwestern Tariff Committee, St. Louis, Mo.

DEAR SIR: Referring to your 19477, of November 23, it is needless to say that your advise is a great surprise, as I had hoped from my conversation with you when last in St. Louis that the investigations had been quite satisfactory to all of the membership.

I beg now to ask what the situation is at the present time. Has the application been filed indefinitely and will it be necessary to renew same in order to revive it, or can this be called up again by members of your association?

Hoping to hear from you promptly, I am, yours, truly,

Traffic Manager.

JBC-PAH.

EXHIBIT No. 89.

[Southwestern Tariff Committee, Office of Chairman, Century Building.]

ST. LOUIS, Mo., November 23, 1909.

Please refer to file 19477.

Mr. JOSEPH B. CABELL,

Traffic Manager, Philadelphia & Gulf Steamship Co., Philadelphia, Pa.

DEAR SIR: Referring to your note of November 20 from New Orleans:

I beg to say that the executive committee of this organization, at a meeting at this office on Monday, at which there was a full representation of all the members, devoted a great deal of time to discussion of application of your company for membership in this committee. I beg to advise that the action of the committee was not favorable to your request.

At the same time I wish to call your attention to the fact that your company has been shown as a participating carrier in the two tariffs published by this office, naming rates from Seaboard territory, which tariffs apply respectively to Arkansas and Oklahoma points; furthermore, that your line has been shown as a participating carrier in all of the tariffs published by this office on traffic from Texas points to Seaboard territory. This office does not publish tariffs from Seaboard territory to Texas or Louisiana, and does not have jurisdiction over rates from Seaboard territory to Texas.

Yours, truly,

F. A. LELAND, *Chairman.*

EXHIBIT No. 90.

-3176

[Rock Island, Frisco Lines, and Chicago & Eastern Illinois Railroad Co., Evansville & Terre Haute Railroad Co.]

CHICAGO, November 30, 1909.

DEAR MR. CABELL: Thanks for yours of November 28. While I don't know what more I can do at the present time in regard to this, you can rest assured that we do not intend to leave it in this shape. The methods that are being pursued by some of our competitors are beneath our notice.

Yours, truly,

W. B. BIDDLE.

Mr. J. B. CABELL,
Traffic manager, Philadelphia & Gulf Steamship Co.,
Lafayette Building, Philadelphia, Pa.

EXHIBIT No. 91.

17

NOVEMBER 26, 1909.

(Personal.)

Mr. W. B. BIDDLE,
Third Vice President, Rock Island Lines, Chicago, Ill.

DEAR SIR: Referring to your 3176 regarding our application for membership in the southwestern tariff committee, it is needless to say that the information contained therein is a great disappointment, as I was assured by the chairman about two weeks ago that he thought there would be no question about our election to membership as soon as he could get the membership committee together.

Our competitors have certainly resorted to every unfair means imaginable to force us into a position of manipulation of rates. As one evidence of this I attach, for your information, a blue-print copy of contract made by their Philadelphia agent with a detective to secure and to purchase from our employees certain information regarding our business. This work, I understand, was done under the instructions of Mr. Spence and evidently with the hope that they might find some tangible evidence which would justify the malicious and false charges of manipulation of rates.

I realize, of course, to what extent you would be interested in any understanding which might arise between us and our competitors, and I only submit this to you believing that you should be fully advised of all that they are doing in this particular.

The original of the above is in the possession of the president of our company.

Thanking you for the assistance which you have given us, I am,

Yours, truly,

JBC-PAH.

Traffic Manager.

EXHIBIT No. 92.

-3176

[Frisco Lines, Traffic Department.]

CHICAGO, November 24, 1909.

Mr. JOSEPH B. CABELL,
Traffic Manager, Philadelphia & Gulf Steamship Co.,
Philadelphia, Pa.

DEAR SIR: At the last week's meeting of the executive committee of the Southwestern Lines, the chairman ruled that it took the unanimous consent to admit steamship lines, and our efforts were powerless to bring this about.

I presume for the present we will have to go on working as we are.

Yours, truly,

W. B. BIDDLE.

TBo.

EXHIBIT No. 93.

(Personal)

17

OCTOBER 28, 1909.

Mr. F. A. LELAND,

Chairman Southwestern Tariff Committee, St. Louis, Mo.

DEAR SIR: Please refer to our letter of October 19 and be good enough to advise me if you have been able to arrange for me to appear before the executive committee of the southwestern tariff committee in regard to our application for membership. I feel satisfied that with the data which I have in hand that I would be able to enable these gentlemen to see this matter in an entirely different light. Assuring you that anything which you can do to assist me in the premises will be greatly appreciated, I am, with kindest regards and best wishes,

Yours, truly,

Traffic Manager.

JBC-PAH.

EXHIBIT No. 94.

[The Missouri Pacific Railway Co., St. Louis, Iron Mountain & Southern Railway Co. and leased, operated, and independent lines. Traffic department.]

ST. LOUIS, June 2, 1909.

Mr. F. S. GROVES,

*President Philadelphia & Gulf Steamship Co.,
Philadelphia, Pa.*

DEAR SIR: I have your favor of May 29, file 17, advising that the Philadelphia & Gulf Steamship Co. will operate between Philadelphia and New Orleans, and has made application for membership in the southwestern tariff committee; that you understand the application was given consideration at meeting of that committee, held in New York May 28, and same was referred to the executive officers.

We have just received report from Chairman Leland of the southwestern tariff committee, and I presume it will have consideration at the first meeting of the executive committee.

Yours, very truly,

J. M. JOHNSON,
Vice President.

JT.

EXHIBIT No. 95.

[Missouri, Kansas & Texas Railway System, office of vice president and traffic manager. C. Haile, vice president and traffic manager.]

File No. 107.

ST. LOUIS, June 2, 1909.

Mr. F. S. GROVES,

*President Philadelphia & Gulf Steamship Co.,
Drexel Building, Philadelphia, Pa.*

DEAR SIR: Referring to your letter of May 29, file 17, addressed to Messrs. J. C. Stubbs and others, with reference to membership of the Philadelphia & Gulf Steamship Co. in the southwestern tariff committee, I beg to say that I shall be glad to give the subject due consideration just as soon as it is practicable to bring it before the executive committee of the southwestern tariff committee.

Yours, truly,

C. HAILE.

EXHIBIT No. 96.

[Philadelphia & Gulf Steamship Co., office of the president, Drexel Building. Mr. J. C. Stubbs, traffic director, Southern Pacific Co., Chicago, Ill.; Mr. G. T. Nicholson, third vice president, A., T. & S. F. Ry., Chicago, Ill.; Mr. W. B. Biddle, third vice president, C., R. I. & P. Ry., Chicago, Ill.; Mr. C. Haile, vice president M., K. & T. Ry., St. Louis, Mo.; Mr. J. M. Johnson, vice president Missouri Pacific Ry., St. Louis, Mo.; Mr. H. E. Farrell, F. T. M., St. Louis Southwestern Ry., St. Louis, Mo.; Mr. E. F. Cost, vice president Kansas City & Southern Ry., Kansas City, Mo.]

PHILADELPHIA, May 23, 1909.

Please refer to file 17.

GENTLEMEN: The Philadelphia & Gulf Steamship Co. has been organized with a million dollars capital for the purpose of operating a permanent and direct line between the ports of Philadelphia and New Orleans. The company owns one steamship, has another under charter for three months, and has practically closed negotiations for the purchase of a third. Operation will begin on June 1 with the sailing of the steamship *J. L. Luckenbach* from Race Street Pier, Philadelphia, for New Orleans. The next sailing from Philadelphia will be the steamship *Mae* on June 12, and the first sailing from New Orleans will be the steamship *J. L. Luckenbach* from New Orleans on June 12. It is our purpose thereafter to have sailings from each port every other Saturday.

Mr. Joseph B. Cabell has been appointed traffic manager of the line and has full authority for the establishment of rates and divisions with connections. It is the purpose of the company to maintain the present basis of rates from seaboard territory, and in evidence of Mr. Cabell's sincerity he has applied for membership of this company in the southwestern tariff committee. He advises me that the committee considered the application yesterday and referred same to you gentlemen without recommendation.

This letter is to impress upon you the importance of prompt and careful consideration so as to enable us to become parties to existing tariffs in connection with such lines as may desire to interchange business with us. An early acknowledgment will greatly oblige.

Yours, truly,

President.

JBC-CWB.

EXHIBIT No. 97.

(Membership in southwestern tariff committee.)

17

MAY 27, 1909.

Mr. F. A. LELAND,

*Chairman Southwestern Tariff Committee,**Care of Hotel Astor, New York, N. Y.*

DEAR SIR: Referring to my conversation of yesterday, I beg to ask that you bring to the attention of the membership the application of this company for membership in the committee, and you may say to them that I will be very glad to come to New York should they desire any further statements from me. You may assure them that it is my purpose to maintain identically the same basis of rates from the seaboard territory as is carried by the Morgan line, and that I will do nothing which can in any way be construed as a desire to destroy revenue.

Thanking you for your early attention, yours, truly,

Traffic Manager.

JBC-CWB.

EXHIBIT No. 98.

[Telegraph blank of Postal Telegraph.]

[6. R. Re. 4 8.09A. May 28. Received at 120 Customhouse Place, Drexel Building Philadelphia.]

NEW YORK, May 25, 1909.

J. B. CABELL,

T. A. 46, Philadelphia.

Yes; at Hotel Astor.

F. A. LELAND.

EXHIBIT No. 99.

[Telegraph blank of Postal Telegraph.]

PHILADELPHIA, May 25, 1909.

F. A. LELAND,

Care of Hotel Astor, New York, N. Y.

Can I see you in New York to-morrow? Please answer promptly.

J. B. CABELL.

4.55 p. m. Charge Philadelphia & Gulf Steamship Co.

EXHIBIT No. 100.

[Letterhead of the Queen & Crescent Route: New Orleans & Northeastern Railroad Co.; Alabama & Vicksburg Railway Co.; Vicksburg, Shreveport & Pacific Railway Co.]

(Membership in the southwestern tariff committee.)

NEW ORLEANS, June 10, 1909.

Mr. JOS. B. CABELL,

*Traffic Manager, P. & G. S. S. Co.,
Philadelphia, Pa.*

DEAR SIR: I beg to acknowledge receipt of your letter of the 21st ultimo, inclosing copy of yours same date to Mr. F. A. Leland, chairman of the southwestern tariff committee, making application for membership in that committee, which I trust will be given consideration at an early date.

Yours, truly,

T. F. STEELE.

EXHIBIT No. 101.

MAY 21, 1909.

Mr. F. A. LELAND,

*Chairman Southwestern Tariff Committee,
St. Louis, Mo.*

DEAR SIR: The Philadelphia & Gulf Steamship Co. will, effective June 1, establish regular and direct sailings between Philadelphia and New Orleans, as it is my desire to establish rates from seaboard territory to points reached by lines to the southwestern tariff committee.

I hereby make application for membership in your committee, and trust that same will meet with the approval of your members.

Trusting that the same may have early consideration, and assuring you of my desire to take no action which would in any way disturb the present basis or conditions.

Very truly, yours,

Traffic Manager.

JBC-GH

EXHIBIT No. 102.

(Membership in southwestern tariff committee.)

MAY 27, 1909.

Mr. F. A. LELAND,

*Chairman Southwestern Tariff Committee,
c/o Hotel Astor, New York, N. Y.*

DEAR SIR: In answer to your telegram of even date, advising that my presence is desired at 2.30 to-morrow afternoon relative to application of this company for membership in your committee, beg to advise that I will be on hand at 2.30 as requested.

Yours, truly,

Traffic Manager.

CWB-CWB.

EXHIBIT No. 103.

[Telegraph blank of Western Union Telegraph Co.]

[35 P 80 SN 13 dh pass. Ht. New York May 27, 1909.]

Jos. B. CABELL, 314 Philadelphia.

Committee desires your attendance 2.30 to-morrow relative membership your line in committee.

F. A. LELAND.

5pm

(The witness read in full Exhibits Nos. 95, 93, 92, 91, 90, 89, 88, and 87 in the order given.)

Mr. GROVES. Now, the Southern Pacific took a very strong position against our admission to that traffic association. In fact, Mr. Spence went so far as to notify the committee that if they admitted the Philadelphia & Gulf Steamship Co. he would withdraw from the committee and have nothing further to do with it. Of course, that had a great effect on the committee.

The CHAIRMAN. What does the Southwestern Tariff Association do?

Mr. GROVES. They control the rates. They make the rates, and when the rates are changed they keep in touch with them and keep them all in line, and it is a great benefit to be a member of an association of that kind, because it gives a status with the public and with all the operating lines with which you connect.

The CHAIRMAN. This association fixes the rates?

Mr. GROVES. Yes, sir.

The CHAIRMAN. And determines the proportion—

Mr. GROVES. The division.

The CHAIRMAN. The division of the rate between the railroad and the steamship company.

Mr. GROVES. Of course, if we went into that we would be in Southern Pacific territory, and they do not want us in their territory. Of course, we would have just as much right there.

The CHAIRMAN. If you had joined the association, of course you would have been admitted to the rates made by the association?

Mr. GROVES. Yes, sir.

The CHAIRMAN. In other words, you would have simply been admitted to the combination?

Mr. GROVES. We would have worked all in harmony. There would have been no cutting of rates, and things would have worked harmoniously, and things would have been adjusted. They could not discriminate against us.

The CHAIRMAN. You were trying to obviate the difficulties under which your line was laboring?

Mr. GROVES. We wanted to be put on a parity with the other lines as a bona fide steamship company, which we were, organized by the people of Philadelphia.

The CHAIRMAN. The benefit would have been to the shippers from Philadelphia to New Orleans and from New Orleans to Philadelphia?

Mr. GROVES. Yes, sir.

The CHAIRMAN. Whereas, under conditions as they had existed, all that traffic came by way of New York?

Mr. GROVES. It all came by way of New York—a most peculiar condition. New York absolutely controls the Atlantic seaboard. There is not a steamship line on the Atlantic seaboard to-day, except the Merchants & Miners, but what hails from New York. And

there is no connection from the Gulf to the Atlantic seaboard on the whole Atlantic Ocean except our line to Charleston. I want to give you a little history of that in a few minutes.

Mr. THAYER. What benefit in rates would it have been to the shippers?

Mr. GROVES. I am not prepared to say what that would have been. It was entirely with our traffic man. It would have been a great benefit, certainly the same as any other competing line. We would have had certain rights—

Mr. THAYER. Wouldn't you have been competing?

Mr. GROVES. There would not have been any traffic agreement. We would have been on a parity with those people. We have certain rights and make certain rates to take trade from our territory into Philadelphia. Some of that territory is much closer to Philadelphia than it is to New York. We would give a great benefit to all the Pennsylvania territory and Ohio and other territory and throughout the different railroads centering in Philadelphia—the Baltimore & Ohio, the Reading, the Pennsylvania, and all of them.

Of course, when it comes to the minutiae of the division of rates, that I am not prepared to talk about, because that was prepared by our traffic man. That does not come under my supervision.

Now, when we got into operation we had applications from a number of these different cities along the Atlantic coast to stop our steamers northbound, from Jacksonville, Savannah, Tampa, etc. I went south and looked over the situation, and there is a large, a very large amount of rice products and other goods from the Gulf going into these different ports, such as Savannah, Jacksonville, Tampa, and Charleston. Charleston is the largest distributing point for rice products. That stuff now all goes to New York, is rehandled, put on the ships of the Southern Pacific and the Consolidated Line, and brought back to those ports at quite a high rate. Well, these merchants wanted direct service. They could never get these lines to give them direct service. I went to Charleston after visiting the other places, and the merchants got together there and agreed to give us a certain amount of business, bound themselves to give us a terminal and to cooperate with us in every way, and they showed us by their data that an immense amount of business was handled into Charleston, some by rail and a large proportion via New York, and with a direct steamer they said they could increase that business very largely.

I looked over the situation and I told them that the most important thing of all was to have a terminal. We went along the river front and picked out a terminal called Union Wharf, which had just been built. These gentlemen, through their chairman and Mayor Rhett, promised us absolutely we should have that terminal. It seems that the terminals at Charleston were owned by the Charleston Terminal Co. The Charleston Terminal Co. was the Southern Railway and the Atlantic Coast Line, which were the dominating interests, and the president of the terminal company promised this committee that we should have this wharf that belonged to the terminal company. Everything was favorable, and I reported to my board of directors the facts and the business that we could work up by stopping at Charleston.

We put in our tariffs all ready to start the business, and by the time our ship was loaded in New Orleans bound this way we got a wire from the president of the terminal company that he could not allow us to stop at Union Wharf—that he would have to put us down at the cotton compress wharf, which is a very undesirable wharf, full of cotton. I went back to Charleston and we had an indignation meeting. I told them they had taken advantage of us—that they could not deliver the goods. Mr. Rhett said the situation was just this: He would take it up with those people and see if he could not get us this wharf, but that the river front was owned by the Charleston Terminal Co., which was practically the railroads, and that they were large receivers of the Clyde Line, had a working arrangement with them, and there had been some influence brought to bear there that would exclude us from using that wharf. He said that the city of Charleston held an option on all that water front at a certain price, and that he was going to bring it before the council to have the option accepted and have the city buy it. These merchants got together and they raised a fund of \$100,000 to purchase the site for this terminal so as to carry out their contract with us. But they found there would have to be some special legislation, and in the meantime the Clyde people took it up with Mayor Rhett to purchase the entire river front of the terminal company, and after a good deal of negotiation and our fighting them they offered a very large advance in the price at which the city of Charleston held the option and they obligated themselves—the Clyde line obligated themselves under contract with the city of Charleston to spend a million dollars in improving their terminals, and the whole purpose was to eliminate us from the port.

Well, of course, we were not going to be shoved out, and so we eventually succeeded in getting a wharf they had had built and leased it. It cost us considerable money. The Clyde Line did buy the terminal, and in taking the terminal they took the very wharf we wanted to use—included that in the terminal. That wharf was a long distance from the other part of the terminal, but they included that, which was proof positive of what their object was. Of course, that put us to a very great deal of expense, but we do a very large business with Charleston. The business is away beyond anything we can handle from the Gulf. It is a wonderful development. There are delivered into Charleston over 500 cars of rice alone every season. We have landed as high as 1,500 tons of rice there on one ship. We never bring a ship into Charleston that does not have a thousand tons on it. It could be very largely increased if we had the service and the ships.

The CHAIRMAN. And yet I understand you to say that the river front of Charleston is owned and controlled by the railroads and their allied interests?

Mr. GROVES. It was until they sold out. They represented what they called the Charleston Terminal Co.—that is, a certain portion of it. There were some individual owners there, but the bulk of it was owned by the railroads, and the Clyde Line bought all that front which was really the key to the whole Charleston harbor. They bought that from the terminal company.

The CHAIRMAN. The Clyde Line?

Mr. GROVES. That is, the Consolidated Line.

The CHAIRMAN. The Agwi?

Mr. GROVES. The same concern.

The CHAIRMAN. And yet the Government is spending millions to deepen the harbor and improve the channel——

Mr. GROVES. Just exactly so.

The CHAIRMAN. And let these special interests control the terminal?

Mr. GROVES. It is absolutely the fact.

The CHAIRMAN. Well, we have a member of the Committee on Rivers and Harbors here.

Mr. HUMPHREY. Who is listening very attentively.

Mr. GROVES. That is a positive condition which we are up against. They did everything they could to exclude us from that harbor, but we got in. It cost us a lot of money to do it, which we could not very well afford under present conditions.

I believe that is pretty nearly the end of the history of that.

The CHAIRMAN. Have you given in as much detail as you can the efforts that were made to keep you out of Charleston; just what schemes were resorted to?

Mr. GROVES. The pressure was brought through this Clyde interest and some railroads. Of course, the railroads represent the situation. I came here to Washington to see the vice president of the Southern Railway Co., and we had it brought up in the committee and tried to have them vote to let us have this wharf, and he promised us his cooperation, but when the meeting was called we got a dispatch from the president of the terminal company that under no circumstances could we use the Union Wharf, the one we had selected. As a matter of fact, they brought their influence to bear and they would not let us come in there.

There is another little matter I wish to speak of in this connection. We tried in every possible way to finance the building of ships after we found that we could not buy any ships, and by the time we had the thing pretty well financed—we thought we had a number of times, but the conditions imposed upon us were very stringent; some interests called them down, and there was a red light sprung on those people and they flopped on us every time——

The CHAIRMAN. Go into the details of that so it will be intelligible in the record.

Mr. GROVES. We undertook to build. Of course, I can not very well name certain gentlemen and financial interests, but we made application to several large banking houses to finance some new ships, and we thought we had this thing about financed. Of course, they naturally investigated the matter and the only people we could go to were all in that interest. Of course, anybody would realize the minute we asked them what the result would be. They got it and that is all there was in it.

The CHAIRMAN. The New York interests? Who were they?

Mr. GROVES. It was all through the Southern Pacific interests and the Clyde Line interests—people that financed those lines.

The CHAIRMAN. That is, the Southern Pacific interests and the Atlantic, Gulf & West Indies interests?

Mr. GROVES. Yes. By that you understand, Mr. Alexander, that the entire Atlantic coast business is controlled by those New York interests. Every steamship along the Atlantic coast, outside of the

Merchants & Miners—and the Merchants & Miners is half owned by the New York, New Haven & Hartford road—every ship hails from New York.

The CHAIRMAN. And is controlled by——

Mr. GROVES. By New York interests.

The CHAIRMAN. The Atlantic, Gulf & West Indies——

Mr. GROVES. And the Harriman interests.

The CHAIRMAN. And the railroad interests?

Mr. GROVES. Yes.

Mr. HUMPHREY. What shipyards does the Southern Pacific own on the Atlantic?

Mr. GROVES. They do not own any shipyards.

Mr. HUMPHREY. I think you are mistaken about that.

Mr. GROVES. They build all their ships down at Newport News, but Harriman, I think, really floated that Newport News Shipbuilding Co.

Mr. HUMPHREY. It is controlled, if not owned, by the Southern Pacific?

Mr. GROVES. It was originally built by Harriman, I think.

The CHAIRMAN. By Huntington.

Mr. GROVES. Huntington, I mean. He was interested in the Southern Pacific, and they built all their ships there.

Mr. HUMPHREY. The reason I asked was that I have been informed they refused at that yard to consider building any vessels for the coastwise trade.

Mr. GROVES. They have a way of refusing. The rate is so high and the conditions are so hard it practically means the same thing. You can not build ships in this country in competition with those people. They have you absolutely by the throat. I tried for four years to finance and build some ships and we could not do it.

The CHAIRMAN. What yards did you try?

Mr. GROVES. I tried the Cramps; I tried the New York Ship; I tried Newport News; I tried the Steel Co. at Sparrow's Point; and the Harlan & Hollingsworth Co.

Mr. THAYER. Fore River?

Mr. GROVES. Fore River, too.

The CHAIRMAN. And all these companies are insisting that we shall not admit foreign wrecks to American registry in order to protect their industries.

Mr. GROVES. Yes, sir.

The CHAIRMAN. And yet I understand these yards are controlled by these interests to which you refer, and American citizens can not get a ship built there except under onerous conditions?

Mr. GROVES. That is practically the fact. I tell you, gentlemen, there is no use talking about it; you will never get the American marine and the American flag on the seas until you get a free-ship bill.

Mr. HUMPHREY. They have it now.

Mr. GROVES. Not yet. If I could have gone and bought my ships the same as an American can buy anything else, abroad, I would have had as fine a line to-day as there is in the United States.

Mr. HUMPHREY. How do you know?

Mr. GROVES. Because those ships were offered to me.

Mr. HUMPHREY. But just as soon as the foreign ships get control of the coastwise trade—

Mr. GROVES. How can foreign ships get control of the coastwise trade? They would be American ships, paid for by American money. I do not mean to run under foreign control. I mean under American control—American ships.

Mr. HUMPHREY. What would prevent your competitor from buying ships and squeezing you out, just as they do now?

Mr. GROVES. I do not think they could do it, sir.

Mr. HUMPHREY. They do do it everywhere else.

Mr. GROVES. My dear sir, if I had had two more ships the entire shipping interests of the United States could not have crushed my line. I would have made that line profitable; all I wanted was the ships. I did not care about their cutting rates. I could have made the business. I have been in this business in competition with the railroads for 45 years and I have always made good where I had the boats. It is absolutely a fact.

The CHAIRMAN. Give us a concrete illustration, if you can, of how this scheme works.

Mr. GROVES. In the first place, I have circulars sent to me by these different foreign shipyards quoting prices on ships under construction to finish at such and such a price—all sorts and kinds of ships. Why, the prices they offer—and they not only offer the ships for a price about one-half of what you can build them for in this country, but they even offer to finance them. But you can not run those ships in American waters and they are of no use to us. It is the only thing in the world an American can not buy and use.

Mr. HUMPHREY. Suppose you had the ships, how would that help you on the terminal proposition?

Mr. GROVES. The conditions are at present that the cities are going to own their own terminals and they are getting their own terminals.

The CHAIRMAN. And if Congress would give them to understand that not a dollar would be given for the improvement of their harbors and channels unless they do, that would solve the question.

Mr. GROVES. That is exactly right. We are spending millions of dollars improving harbors for foreign ships—

Mr. HUMPHREY. I am glad to hear you make that speech. I have been making that speech myself for years.

Mr. GROVES. I tell you, gentlemen, I know from experience this is a fact. You can not revive the American marine unless you have free ships.

Mr. POST. Why can not they build them in our shipyards just as cheaply as abroad?

Mr. GROVES. There are a great many reasons. We manufacture to-day steel plates and material and send them abroad to put in the bottoms of foreign ships.

Mr. HUMPHREY. Not very many.

Mr. GROVES. Quite a good many of them, sir.

Mr. HUMPHREY. They are getting them cheaper here now than they are over there.

Mr. POST. Give us some reasons why we can not build ships here as cheaply as they do abroad.

Mr. GROVES. Well, I am not in the shipbuilding business. If they were in competition with foreign builders they would do it.

The CHAIRMAN. There is no reason why they can not do it in my judgment.

Mr. GROVES. I do not think there is.

Mr. HUMPHREY. The main objection you found was they did not want to do it? They did not want the competition?

Mr. GROVES. No; because the other fellows were their customers. Here is an illustration. Take the Cramp Shipbuilding Co. I do not know whether you gentlemen know Mr. Stotesbury, but I know him very well. He represents the Morgan interests in Philadelphia, and his son-in-law was on the board of the Philadelphia & Gulf Co. I went to Mr. Stotesbury and I wanted to build four ships. "Well," he said, "Mr. Groves, if you will build those ships here at Cramp's I will lend you the money." I said, "That sounds very nice, Mr. Stotesbury." I want to show you how it worked. I got out all my drawings and specifications for four ships, and I submitted these plans to Cramp's, the New York Shipbuilding Co., the Maryland Steel Co., and Harlan & Hollingsworth, and all these different companies. The bids came in, and Cramp's bid was \$100,000 a ship more than anybody else.

Mr. HUMPHREY. Did they know about that in advance?

Mr. GROVES. Mr. Stotesbury said to me, "Look here, Groves, do you know the William Cramp Shipyards Co.? Do you know they were pretty near busted up?" I said, "I heard so. I understood you helped them out of trouble." He said, "Yes; I raised \$4,000,000 for them." I said, "How did you raise it?" He said, "I raised that money, and I went around to all of the trust companies and the banks of Philadelphia, and I said, 'Gentlemen, each one of you has got to take so many of those bonds,' " and he said, "They took them." He said, "That is the reason I want you, as a Philadelphia institution, to build those ships here." That was his argument. Then, I went around and got these bids on these ships. I came back to Stotesbury, and I said, "Look here, we are up against it." He said, "How is that?" I said, "Look at those bids. I could not recommend to my board that Cramp & Co. should build these ships and pay nearly \$400,000 more than I could get them somewhere else. It is out of line. Here is the bid of Harlan & Hollingsworth, who bid \$100,000 less a ship than this bid. Those are the people who ought to build these ships." He flew right off, and from that time on we never got a word from Stotesbury about building ships.

Of course, information like that—I know Stotesbury. Those gentlemen I am familiar with, and I would not like that to be made public. I think that ought to be sub rosa with you gentlemen. I do not want to put myself in a position that would—but those are the facts all the same.

The CHAIRMAN. That is what the people want to know, just these difficulties that are in the way.

Mr. THAYER. I would like to ask just one question in this connection.

Mr. GROVES. That is the reason the shipyards can not build the ships as cheap here as abroad. It is the money interests; that is what controls them.

Mr. THAYER. Last May a number of us went down to see the launching of the *Texas*.

Mr. GROVES. What did you say?

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Mr. THAYER. Last year a number of us went down to see launching of the *Texas* at Newport News, and at that time the Panama Canal bill was in committee or just reported out—had not passed the House—and some ship man down there said to me that if we did not admit railroad-owned ships into the canal, we could not get any ships built, because they could not finance them—

Mr. GROVES. That is so.

Mr. THAYER. That the banks would not finance them?

Mr. GROVES. That is just as true as you live.

Mr. THAYER. Of course, my answer to that was that if railroad-owned ships were excluded from the canal there would be plenty of money to finance other ships, but they could not be—

Mr. GROVES. You will find the same interests against building independent ships for that canal as I found.

Mr. THAYER. Some gentleman, whose name I was not familiar with and which I did not make any effort to remember at that time, had attempted to build a line of ships and finance them for \$40,000,000. He said he could finance them if anybody could, and failed.

Mr. GROVES. That was Baker.

Mr. THAYER. That is in line with your experience?

Mr. GROVES. Absolutely a fact; and as surely as you admit American railroad-owned ships to that canal, the canal's utility, so far as American coastwise business is concerned, is dead and done. I have had a lot of canal-business experience. I will give you a lot of canal-business experience. I have had lots of it. I know exactly how it works.

Mr. Post. What would be the effect on the coastwise trade if Congress passed a bill permitting Americans to purchase foreign-built ships and put them in the coastwise trade?

Mr. GROVES. If the Americans could purchase foreign-built ships and build them abroad and put them in the coastwise business?

Mr. Post. Yes.

Mr. GROVES. Owned and controlled by Americans?

Mr. Post. Yes.

Mr. GROVES. Why, that would be the salvation of the merchant marine of the United States. It would lift this country out of the greatest slough it ever got into. It is a disgrace to this country to-day. You take every country in this world to-day that is of any account—Germany, France, or England—and what would they be if it was not for their merchant marine? And what is this country going to be eventually? Absolutely dependent upon foreigners to carry all our stuff. Americans pay for all those ships. Something is rotten in our legislation here, absolutely, in the shipping line. All the legislation in this country is against the merchant marine of this country. Every bit of it is against the merchant marine; the interstate commerce law is against the merchant marine under the present rulings.

The CHAIRMAN. Just wait a minute. Stop right here and we will take a recess until 2 o'clock. It is now 10 minutes of 1.

Thereupon, at 12.50 o'clock, the committee took a recess until 2 o'clock this afternoon.

AFTER RECESS.

The CHAIRMAN. Were you connected with the New York & Baltimore Line?

Mr. GROVES. Yes, sir.

The CHAIRMAN. Are you now?

Mr. GROVES. No, sir.

The CHAIRMAN. Did you have the same difficulty with that line as you had with the Philadelphia & Gulf Steamship Co.?

Mr. GROVES. No, sir; that was a local line between New York and Baltimore. That line was an offshoot of the Baltimore & Philadelphia Steamboat Co., and had some of the same owners and the same directors as the Baltimore & Philadelphia Steamboat Co. I am connected and identified with it, and my father was before me. The Baltimore & Philadelphia Steamboat Co. plies between Philadelphia and Baltimore, through the Chesapeake Canal. That canal line was inaugurated by my father in 1838, and the Ericsson Line is the oldest line, and the first line that ever used a propeller wheel for transportation purposes. It was named after the inventor, John Ericsson, the Swede. That line was incorporated in 1844, and the first boat that my father owned was the steamer *Ericsson*, and the propeller wheel and engine were put in by Mr. Ericsson, the Swedish inventor.

The CHAIRMAN. The same Swede who built the *Monitor*?

Mr. GROVES. The same man, and the same man whose body the steamer *Baltimore* took back to Sweden when he died. It is a peculiar coincidence, but that was a fact.

The CHAIRMAN. You said you were familiar with the conditions of the canal, did you not?

Mr. GROVES. We have traded through the Delaware & Chesapeake Canal for nearly 80 years, and the conditions of canal traffic would apply as far as railroads are concerned in the case of the Panama Canal. The rate of toll through the canal has been fixed, as I understand, at \$1.25 a ton. If they could tow American ships through the Panama Canal, bringing the coastwise business in competition with the continental railroads, and put them on a parity with the railroads under the present law, where they have a right to reduce the rate in competition with water, they would have to have a differential of at least 12 cents a hundred to put them on an equality, and cover their insurance and to equalize the toll. You see, that \$1.25 a ton—they have got to earn that before they pay it; it has got to come out of their freight in competition with the railroads. I contend that every water line should be allowed a differential over a competing railroad line. When the present interstate-commerce law went into effect, Mr. Regan, of Texas, incorporated in that law a clause—the long-and-short-haul clause—and there is no doubt in the world that he had at that time in his mind a restriction as to the railroads. I tell you this as a fact. The railroad attorneys were before the Interstate Commerce Commission and protested against that long-and-short-haul clause, and they got a ruling from the Interstate Commerce Commission that where a railroad came in competition with water, they gave them the right to waive the long-and-short-haul clause. That was the worst club that ever happened to a water line. The consequence of that decision

is they can charge what they please, and file their rate. They can make a commodity out of any class rate, and file the rate with the Interstate Commerce Commission, and thus reduce the earnings of the water line in competition to almost nothing. The general freight agent of the Pennsylvania Railroad told me when I had that up with him. I used to run the New York & Baltimore Line. He said, "I say it is ridiculous for you to suppose you could compete with us under this condition. I can carry freight from New York to Baltimore and Philadelphia to Baltimore for nothing for years, and it would never show in our accounts." They have got all the interior business at full, high rates, and no competition. Two railroads running to the same point have identically the same rates, whether they carry the freight on a haul of 40 or 50 miles.

Take the commodity sugar: They will charge a 15-cent rate, where they put in a commodity rate against Baltimore, and then no commodity rate for the interior; but when in competition the rate is 7 cents a hundred pounds on sugar. We used to get 12, and out of that we used to pay the toll. Not only 7 cents a hundred, but they put a track into the refinery, and then the sugar is all loaded by the shipper. They do not put a dollar on it, and nine times out of ten it is unloaded in Baltimore by the consignee. Therefore the rail does nothing to the haul. When it comes to us it has got to be hauled up to our place, unloaded, and loaded on our boats, and the consequence is we have our rate down to 80 cents. You can see what a club that is. Water lines can not exist under conditions like that. The same conditions will exist under the Panama Canal as in the case of the Chesapeake & Delaware Canal, and they have the same power. They will make those lines running through the canal, unless railroad-owned lines—railroad-owned lines charge the same as railroads. Take the Merchants & Miners out of Philadelphia. When the New York, New Haven & Hartford Railroad took possession of it, what did they do? They used to have a differential rate under the old Boston & Philadelphia. As soon as the New York, New Haven & Hartford took hold of the Merchants & Miners they put all the commodities rates to class rates, and there was no competition.

Mr. Mellen, when he bought those steamship lines out of New York, put them all upon rail rates, and there was absolutely no competition, but, if independent lines, they would claim under the ruling of the interstate law a right to put any commodity and charge whatever they pleased.

The CHAIRMAN. And the interior points in the country compensated for the rest.

Mr. GROVES. Sure. They lived on that, and they can carry it for nothing to carry the point. It is not fair. It is absolutely the worst kind of a club to be used against the water lines—it is absolutely against the water lines, and the worst club we ever had.

We have been competing with the railroads between Philadelphia and Baltimore for nearly 80 years. We were in existence before the Pennsylvania Railroad came into existence—that was the old Philadelphia, Wilmington & Baltimore Railroad. We have just an overnight service, just as good as theirs, but our expenses are very great, and every slice they get out of us on a commodity rate, and a reduced rate just reduces our earnings. There is no attraction for

capital in a proposition like that, when you have got that kind of a law.

The CHAIRMAN. Is that beneficial to the shipper?

Mr. GROVES. Only as far as that one local city is concerned. It is no benefit to the shipper for the entire business; it does not help him any. Why should a shipper be helped to the disadvantage of the carrier—it practically eliminates the carrier, and it is only a question of time—

The CHAIRMAN. And those benefits are purely local?

Mr. GROVES. Local, wherever the railroad comes in competition with a water line.

The CHAIRMAN. All these points along the Atlantic and Gulf?

Mr. GROVES. Yes; and it led up to the railroads absorbing the water lines. That is what led up to it. They were in position to beat those water lines down until they could absorb them. There is the same condition on the Lakes and everywhere else, where they can get in competition. You can not build up a merchant marine on conditions like that, where you legislate against the water in favor of the rail.

The CHAIRMAN. In other words, what you mean is that while the water line is normally the cheaper mode of transportation, yet, under the construction given the interstate-commerce law by the Interstate Commerce Commission, they have absolutely nullified that benefit to the people?

Mr. GROVES. Absolutely. It is only a question of time until railroads absorb water lines, or put them out of business, and the rail puts it up then to a full rate. That is the real proposition.

I suggest, if I am at liberty to make a suggestion—

The CHAIRMAN. Yes.

Mr. GROVES. That the Interstate Commerce Commission law be amended to give them the power to name a minimum as well as a maximum rate, where they come in competition with water lines.

The CHAIRMAN. Give the commission the power?

Mr. GROVES. Yes, sir; to name a minimum rate as well as a maximum rate, where they come in competition with water lines; put us on a parity with them. That is absolutely a fair proposition. We are perfectly willing to leave it to those gentlemen's judgment; that gives us a chance.

The CHAIRMAN. The railroads, unless with the consent and cooperation of the Interstate Commerce Commission?

Mr. GROVES. We would cooperate then, and we are not destroyed.

The CHAIRMAN. I say—you did not catch what I said—if the Interstate Commerce Commission would give them the power to fix the minimum and maximum rates, then the railroads could not put the water lines out of commission.

Mr. GROVES. No, sir.

The CHAIRMAN. Nor out of service, unless with the active cooperation of the Interstate Commerce Commission?

Mr. GROVES. Sure, sir.

The CHAIRMAN. The Government would be responsible for it then?

Mr. GROVES. Sure. We are absolutely willing for them to do that; it is a fair proposition.

And then I would make another proposition. I would make a proposition that the Interstate Commerce Commission, under the

same ruling, should compel the railroad lines—railroad-owned steamship companies and steamship lines, where they come in competition with the railroads—allow the steamboat and steamship company lines differential rates. For instance, I will give you an illustration.

The New York, New Haven & Hartford Railroad Co., for instance, owns a line between Boston and New York. The rates are practically the same—no competition.

The CHAIRMAN. Either by rail or water?

Mr. GROVES. Either by rail or water. I say that the railroads should not be allowed to charge on that steamship line the same rate that they charge by rail; that there should be a differential, and no inclination, if the railroad owned that steamship line, for self-protection; that is the only way they can get it. I have been in this business for 40 years, and I have watched every line on the coast grow. Legislation is always against the water lines. It is essential for the railroads to control them, and the Government has put a club in their hands to control them, and has helped the railroads, instead of helping the water lines. Under those two amendments every railroad-owned steamboat line would have a differential rate, compelled to be charged on a water line as against a rail line, and that is in favor of the shipper, and in favor of the community trading to the same point.

The CHAIRMAN. And by whom to be determined?

Mr. GROVES. By the Interstate Commerce Commission. We are perfectly willing to leave it up to them.

Mr. THAYER. What would you say as to prohibition—

Mr. GROVES. You see, by that ruling it would prevent the discrimination—that is, prevent the combination of raising rates on water lines as high as rail lines, and preventing combinations. You would have a differential. Those rates being fixed by the Interstate Commerce Commission would give an independent line a chance.

Mr. THAYER. What do you say as to prohibition of the ownership of steamship lines by railroads?

Mr. GROVES. I do not think any railroad ought to own a competitive steamship line.

Mr. THAYER. You are in favor of that prohibition?

Mr. GROVES. I am in favor of that. I do not think they ought to own them.

The CHAIRMAN. It would be immaterial whether the railroads owned steamships, or not, if they can make a commodity rate.

Mr. GROVES. There would not be any inducement; they would not want to then.

Then, I would make another one. I would compel all railroads to prorate with steamboat and steamship lines on a differential rate, from interior points to the port. That is in favor of the shipper and consignee.

The CHAIRMAN. Illustrate what you mean.

Mr. GROVES. What I mean is this: Suppose there is a shipment to move from Pittsburgh to New Orleans, and we will say the rail rate is 30 cents a hundred on a certain commodity. Now, say that is a lower commodity—fifth or sixth-class freight, 2 or 3 cents differential. The rate by rail, in combination with the steamboat line, should be 28 cents, and they should put in 28-cent rate, or it might be a 27-cent rate, but the all-rail rate should be 30, so as to give the

water line a chance and give the community a chance. That is for interior business; that gives everybody a living chance. A man may not be able to sell his goods on a 30-cent rate, but he may be able to sell them on a 28-cent rate. Railroads have an advantage. They can well afford to do that, because on all low commodities they do not put one dollar of labor on them.

You take our situation in Philadelphia; the railroads at the present time, where they get a chance, take advantage of the water lines, of course. We have our own trackage in Philadelphia. Freight is all delivered to us on our pier on the tracks. We have that privilege from the Baltimore & Ohio, the Pennsylvania, and the Philadelphia & Reading Roads. We have a very elegant dock there. We have one-half of it and the Italian—a foreign line—has the other half. At the present time we pay the railroad their full local up to our ships' sides in Philadelphia. The railroad compels us to unload those cars, and if we have any interchange traffic bound over the road, we have to load the cars. If they deliver stuff to the Italian or any foreign line, the railroad unloads those cars, and if the Italian line has shipments for the railroad, the railroad loads the cars. Do you see? That puts us, as a coast line and a domestic line, to a very great disadvantage; probably it may be anywhere from 10 to 20 cents a ton.

The CHAIRMAN. Is that discrimination against coastwise business?

Mr. GROVES. Yes, sir.

The CHAIRMAN. In favor of foreign export business?

Mr. GROVES. Yes, sir. Those are all very important things, and the unfortunate condition here exists that there are no independent lines that can fight these very conditions. I do not know of any independent line to-day on the Atlantic coast, and certainly not in Philadelphia, except the Philadelphia & Gulf or Philadelphia & Baltimore Steamship Co.—I do not know of one. You see, those New York interests absolutely throttle the entire Atlantic coast. They own all the ships. You can not charter a ship, you can not build a ship nor buy a ship. How are you going to develop commerce? Every one of those ports want local coastwise business, and the great majority of those ports are ready to put a certain amount of money in at a reasonable price, but they are not willing to do that when the price is prohibitive. Financial conditions are absolutely prohibitive, but if we had the right to purchase foreign ships we could equip all those ports in competition with the present lines, with the proper legislation.

The CHAIRMAN. Would the difficulty of financing ships be better if you had the privilege of buying foreign ships?

Mr. GROVES. You would have competition in the American shipyards, and you could finance those ships abroad.

The CHAIRMAN. How?

Mr. GROVES. With foreign capital; that is, by giving them your securities. For instance, take a vessel like we have used in our trade from Philadelphia to New Orleans, where the shipyards in Philadelphia would ask you anywhere from \$300,000 to \$325,000 for a ship, that is just merely a coasting vessel or freighter, you could get that very ship abroad, built under the same specifications, for about \$150,000. There, at once, you have an investment of less than one-half to begin with.

The CHAIRMAN. How about money? Do you find money with which to buy even American ships?

Mr. GROVES. On account of the heavy cost of construction, as I understand, in England those foreigners would finance a vessel. For instance, they will build a ship at \$150,000, and you can show them your prospectus, and if you have reasonably proper men, men of integrity and standing behind your proposition, they will finance that ship, accept your mortgage or bonds, and will take your second or debenture bonds and carry them until the line becomes remunerative, and they continue to pay the interest on the first-mortgage bonds and to hold those bonds at the bank, and then after the thing becomes profitable, and thereafter they assist your proposition on a reasonable basis. But you can not do that here. If you go to a banker in Philadelphia, in the first place, the only way he will finance you is on a basis of 10 per cent on 10-year equipment bonds and compel you to pay one-tenth every year at a high rate of interest. They will want a bonus from you of so much stock.

Mr. POST. What is the interest?

Mr. GROVES. Six per cent. You can not get anything for less than 6 per cent here. I suppose you could get it for about 4 per cent abroad. And they want a bonus of your stock, and only give 60 per cent, and then you have got to put up 40 per cent in cash yourself.

Mr. POST. Just what would this stock bonus be on a ship that costs you \$150,000?

Mr. GROVES. Sir?

Mr. POST. Just what would this stock bonus be on a ship that costs you \$150,000?

Mr. GROVES. They would want pretty near that much in the face value of the stock. You see what Mr. Morgan got for financing the Steel Trust—\$50,000,000. I heard that the Baldwin Locomotive Works was financed by Drexel, the Philadelphia representative of Mr. Morgan, and they took an equal amount of the common stock for the bonds, and within six months the common stock paid a dividend. I know one gentleman who did not put a dollar in, but who just put his name to the underwriting, and he got \$500,000 worth of stock, and that stock is worth par to-day, or a little over. Those are the conditions we are up against.

Mr. STEVENS. What do you mean as to the amount of stock the bank would want?

Mr. GROVES. That is up to the bank. From my own experience, they want pretty near dollar for dollar. I would not say a "bank," but those matters are generally handled through what you call "banking institutions or underwriters' syndicates."

Mr. STEVENS. If the steamer cost \$200,000, what would you incorporate for?

Mr. GROVES. We would not incorporate for the steamer. For instance, in our line we are incorporated at \$1,000,000. We have sold not quite one-half of our stock at par, which leaves about \$500,000 or \$600,000 in the treasury. That stock, of course, is what they would want as a bonus. Our treasury stock they want for nothing—what we pay dollar for dollar for. That is the way they work it. You see, there is no inducement, Mr. Alexander, under the present law, where the railroad can make what rates they please in competition with water. That applies in conference lines as well as any-

where else. The banker is going to look at that thing, and he can not see how you can make any money. But if you have a differential, so the railroad can not crush you, then you have some assurance of being able to make some kind of a reasonable condition with your bankers, the same as they do abroad; and if we had that privilege of going abroad I do not think there would be any question about financing of those ships. A ship, Mr. Alexander, that costs \$150,000 is the same size ship as one which costs here \$300,000, and she has double the earning capacity if she carries the same tonnage. It will not cost any more to run her, and the interest account is only one-half.

The CHAIRMAN. You could buy two ships, of course, with the same investment?

Mr. GROVES. Sure; two in place of one, and then you have financed yourself and got your money.

The CHAIRMAN. Do the steamship companies on the Atlantic coast charge uniform rates to all shippers?

Mr. GROVES. At present they have to, because they file their rates with the Interstate Commerce Commission, except on the port-to-port business. On the port-to-port business they make any rate they please.

The CHAIRMAN. Do you think that ought to be true?

Mr. GROVES. What is that, sir?

The CHAIRMAN. That they may charge any rate they please on port-to-port business.

Mr. GROVES. Do I think that ought to be a fact?

The CHAIRMAN. Do you think it ought to be so?

Mr. GROVES. I think the port-to-port business ought to be left open, but it would not be necessary with this amendment I suggest. With that amendment I think it would be perfectly fair if the Interstate Commerce Commission fixed the rate, if they saw fit, but that would not always work. There is one very strong point against that—the tramp ship. So the water line ought to be free. Of course, that would be with the consent of the commission, and I do not suppose there would be any trouble about getting that consent, if the conditions were properly explained. Those commissioners are reasonable people, and the interest would be the same as our interest. We do not want to carry freight any cheaper than we have to, yet we want to get certain facilities.

The CHAIRMAN. Any law undertaking to regulate water transportation would necessarily eliminate the tramp steamer as a regulator of rates, would it not?

Mr. GROVES. Well, hardly. The tramp steamer, Mr. Alexander, only carries full cargoes. They do not carry package freight or merchandise freight, but only heavy commodities such as phosphate rock, lumber, coal, and probably sometimes cotton. It would not affect the general class rates at all. It would have no effect whatever on the class rates. I think that is legitimate business for the tramp steamers, for the benefit of the community that they should have such a privilege.

The CHAIRMAN. We have information to the effect that the small shipper is charged a higher rate than the large shipper on the port-to-port business. Do you think that is right?

Mr. GROVES. I have no knowledge of anything of that kind, sir. Take our own business—

The CHAIRMAN. If that exists, do you not think it ought to be remedied?

Mr. GROVES. I do not think it does exist.

The CHAIRMAN. You do not?

Mr. GROVES. I do not think it exists. The rates are all the same. I know with respect to ours it does not exist. We run between Philadelphia and Baltimore, and we do not charge a man, whether he ships a thousand tons or whether he ships one ton, any different rate. We do not make any lower rate for a large shipment than for a small shipment. We take it at a class rate or commodity rate, whatever the cargo may be. The commodities are on large shipments and heavy stuff; there is no commodity on small shipments.

The CHAIRMAN. We have a condition like this: On the Atlantic coast, where, for instance, a large shipper agrees to ship 100,000 or 125,000 or 150,000 barrels of a certain commodity, the steamship company makes a certain rate. Others engaged in the same business ship smaller quantities of the same commodity, and the steamship company will say to the smaller shipper, "If you agree to ship 100,000 or 125,000 or 150,000 barrels, we will make you the same rate." Do you think that is right?

Mr. GROVES. That is covered by the difference between the carload and less-than-carload rates. The carload rate is always the less rate than the less-than-carload—that is practically the same proposition—but every man that ships the same amount of goods is entitled to the same rate, and always gets it, as far as I know. We never make any rates of that kind.

The CHAIRMAN. But you see in that instance the small man has not sufficient business to make a contract to ship 100,000 or 125,000 or 150,000 barrels.

Mr. GROVES. We have had no experience of that kind.

The CHAIRMAN. We have that specific complaint here before us now.

Mr. GROVES. It may be a specific article, or one specific movement, but a man who has as large a shipment as that would be very likely to use a tramp ship.

The CHAIRMAN. Because he ships in cargo lots?

Mr. GROVES. We do not make a difference of that kind. We make that a commodity; that goes under commodity rates, for certain articles. I do not know what the article is that you refer to. If you would name the article, I might be able to tell you about it.

The CHAIRMAN. Take tar or pitch.

Mr. GROVES. Pitch or tar; that is manufactured and shipped in large lots, and very often handled by tramp vessels in whole cargoes. We put in a commodity on tar that covers every shipment, whether small or a large lot, and covers the commodity of tar, whether a man ships a thousand or five barrels—he gets the same rate.

The CHAIRMAN. Suppose a party says, "I want to get a rate from the company to ship 100,000 barrels of tar or pitch for the year," and he gets a certain rate. Another man in the same business goes to the shipping company and says, "I want to ship 50,000 barrels a year." They would say, "We can not give you the same rate as we

give the man who has agreed to ship 100,000 barrels. If you will agree to ship 100,000 barrels a year, we will give you the same rate."

Mr. GROVES. I do not think that would be fair.

The CHAIRMAN. No.

Mr. GROVES. We would not do that. We would give the man with 50,000 barrels the same rate as the other man.

The CHAIRMAN. Of course, if a man is shipping in sufficient quantities that he could charter a steamer, he could protect himself.

Mr. GROVES. A great many movements of that kind, Mr. Alexander, are controlled by the manufacturer. What I mean by that is, he sells his goods delivered. For instance, you take the question of sugar. We have a commodity rate in on sugar from Philadelphia to Baltimore of 80 cents a hundred. It does not make any difference with the sugar refiner. They pay the freight whether they ship one, two, five, or a thousand barrels, and they get the same rate. We do not bind them or anybody else to specific shipments. That is a commodity that covers the shipment of sugar, and the same thing, in my judgment, would govern us in our New Orleans business—that every man gets the same rate on the same commodities. I think that is right. Unless a man comes in and he wants to put in a tramp steamer and carry a whole load, and if he can not get a tramp steamer and the other man gives him a rate equal to a tramp rate, he does that in self-protection. That is a matter of law of trade.

The CHAIRMAN. I want to say that in the first instance to which I referred the rates that the big shippers got were secret rates.

Mr. GROVES. Secret rates? I do not know anything about that. We have no secret rates.

The CHAIRMAN. What do you say about the tariff on port-to-port business being filed with the Interstate Commerce Commission, or some other commission having jurisdiction?

Mr. GROVES. That port-to-port business I insist is a very serious proposition under present condition of things.

The CHAIRMAN. Why so?

Mr. GROVES. Simply on account of that long-and-short-haul clause that I spoke of. A railroad can put in any rate they please and make a commodity out of it and file that rate with the Interstate Commerce Commission, and they can cut under us and do what they please, and if they do that we have got to put in a lower rate to meet it.

The CHAIRMAN. Suppose that condition is remedied?

Mr. GROVES. Then that disappears.

The CHAIRMAN. Then it would be all right?

Mr. GROVES. Yes, sir.

The CHAIRMAN. If they had to file port-to-port rates?

Mr. GROVES. If we were allowed and the railroads compelled to give us a differential and protect us the same; they have got it all now, absolutely.

The CHAIRMAN. What do you say about permitting contracts with shippers?

Mr. GROVES. It is wrong; absolutely wrong.

The CHAIRMAN. Why so?

Mr. GROVES. I do not think it is fair to others. We never make a contract with any shipper. We are in direct competition. We never make a contract.

The Southern Pacific was one of the other points. They used to bind up everybody with their contracts. We never bound anybody up with our contracts. We have been running 80 years, and we never did that. The Pennsylvania Railroad, before the interstate law, on traffic from Philadelphia to Baltimore used to bind people up with their contracts, and when we were closed in the winter time on account of the ice they would go to our shippers and say, "You have got to ship your stuff by us all the time, or when the Ericsson Line is out of business we will charge you almost double during that time." It reflected back on those people then, because the people came right to us when they were free and made no antagonism. We never have any trouble with our shippers, and no man ever shipped over our lines who ever said he ever lost a dollar in any way, shape, or form.

Mr. STEPHENS. If a shipper offered you 100,000 tons of sugar, and a second one offered you 50,000 tons, would the last man get the same rate per ton as the first one?

Mr. GROVES. Absolutely. We have one commodity, and that is all there is about it. That is our rate to everybody. We do not charge one man one price and another man another price. Everybody gets the same. We have no secrets, our manifests are open to everybody. We have no rebates or anything of that kind.

Mr. STEPHENS. Your line has always been doing that?

Mr. GROVES. Yes, sir.

Mr. STEPHENS. Have you found any serious trouble with the large shipper in pursuing that policy?

Mr. GROVES. We do not have any trouble with anybody; we treat everybody fair, and we never have any trouble with anybody, and never did have.

The CHAIRMAN. You referred to marine insurance because they discriminated against you?

Mr. GROVES. They did when we first went into it. They did two or three years. We have since then got the matter adjusted and got hold of an insurance from the Hartford and Aetna, of Hartford, who came to our rescue and examined our vessels and everything of the kind, and they gave us a satisfactory rate; that is, after the other fellows put an embargo on us, and since then we have got our rates down to a basis in which we can handle the business to our satisfaction, but before that we could not do anything. We were tied hand and foot.

The CHAIRMAN. You found they were in combination against you and in league with the railroads and with the Agwi lines?

Mr. GROVES. They practically eliminated us. They sent out circulars that their floaters would not apply to Philadelphia & Gulf steamships until these other people came in and helped us, and, of course, that created competition and eventually we worked the thing down and got things into pretty good shape and we have got the same ships.

The CHAIRMAN. Do you think that the marine underwriters did that voluntarily or were forced into that competition?

Mr. GROVES. No, sir; they never did it voluntarily, but some pressure was brought on them. There is no question about it. I have never known such a thing before in my life. We have been insuring for years and we never have known such a thing or with any other line. I never heard of such a thing before.

The CHAIRMAN. To what cause do you attribute their attitude?

Mr. GROVES. To crush us out, to keep us from handling the business. It costs money. We had to equalize that rate. They knew that. We had to pay as high as 70 cents where they only paid 15.

The CHAIRMAN. You say "they"?

Mr. GROVES. I mean our competitors; I mean the Southern Pacific and consolidated lines.

The CHAIRMAN. In other words, if I understand you, those interests said to those marine insurance companies, "Now, if you insure those boats we boycott you;" is that it?

Mr. GROVES. Something of that kind. I do not know exactly what it is, but some arrangement. There certainly was a pressure brought there somehow. I do not know why it was. Those people are tremendous insurers.

The CHAIRMAN. The shippers would not care to patronize your line if they had to pay that difference in the rate; is that correct?

Mr. GROVES. What did you say? They could not do it. The people—they have what they call floaters.

The CHAIRMAN. You explained that.

Mr. GROVES. And they were eliminated from our lines.

The CHAIRMAN. Yes.

Mr. GROVES. Practically they were told that those floaters did not apply to our lines. These people would not go around and hunt other insurance because they have their insurance for a year.

The CHAIRMAN. They have a standard policy with a uniform rate?

Mr. GROVES. That is where it operated against us and where the pressure was brought. We have made an arrangement with the Pennsylvania and the Reading railroads to handle that cotton from our ships right into the New England mills. That stuff would come to New York; it would be on a lighter and lightered around the harbor to the railroad terminals. There was a very considerable loss there on the railroads, but we could put it right in the cars and deliver it right in the mills, and there was no chance of any robbery on that cotton and the service was perfect; the best service on the coast. The only way they could hurt us was on that insurance proposition. Cotton is one of the most peculiar things in the world to insure, and they would not insure any cotton on our ships, and yet they would give no reason for it. That just practically cut us out of cotton business.

The CHAIRMAN. There were no greater risks on your ships than any others?

Mr. GROVES. Not a particle. We have got it all right. We can do it now. When the other fellows came to our help, the Aetna and Hartford, they were very strong concerns, and went into the marine business, and they were willing to do it, and they let us in.

Mr. STEPHENS. Who came to your help?

Mr. GROVES. The Hartford and Aetna Insurance Cos., of Hartford, Conn., two of the largest in the United States.

Mr. STEPHENS. They had not been in the previous combine?

Mr. GROVES. No, sir. There was no combine; only lately these two companies got into the marine business, and they are very strong concerns.

The CHAIRMAN. What is the attitude of those companies toward you now—the ones in this combine?

Mr. GROVES. We have no trouble now. We have got the rates down to a reasonable basis.

The CHAIRMAN. Are they willing to make you a rate now?

Mr. GROVES. Oh, yes; they would make us a rate now, but they have not removed that floater on merchandise business, but on cotton they have. On outward cargoes they have the same arrangement as with the Aetna; they made overtures that they would give us the same rates.

The CHAIRMAN. Has any member of the committee any other questions? [After a pause.] Is there anything in the way of legislation you have to suggest to the committee?

Mr. GROVES. I do not know whether this is in your committee's jurisdiction or not. This is on behalf of the Baltimore & Philadelphia Steamboat Line. We trade through the Delaware & Chesapeake Canal. The Delaware & Chesapeake Canal is to all intents and purposes a public highway and is 13½ miles long, and it is chartered by the State of Maryland, State of Delaware, and the State of Pennsylvania. They fix and change the rate of tolls at their pleasure. They seem to feel that they must get so much money out of our line whether we can afford to pay it or whether we can not afford to pay it. They assessed us at the rate of 25 per cent on our gross receipts; they had a defalcation in their company some years ago of about \$800,000, which increased their fixed charge some \$40,000 on business, and they have been trying to squeeze more money out of us. Now, it seems to me there ought to be some legislation covering interstate canals. That canal has reduced our earnings to a minimum, and in fact during the latter few years we have practically made nothing on account of the excessive rates of tolls. This year they have changed their rates again, and they undertake to charge us, instead of so much a ton, so much per cent on the gross tonnage of our steamers, which amounts to a higher rate for that 13½ miles haul than the rate fixed for the Panama Canal. It amounts sometimes to as high as \$1.50 a ton, which is absolutely prohibitive. There is a public highway, a connecting link between the North and the South, and it seems to me—of course we have been trying under the Deeper Waterways Association, of which Hampton Moore is president, to get the Government to buy that canal and make it a free canal, and I expect it is only a question of time when they will do it, but in the meantime we are up against a very hard proposition there.

Mr. HUMPHREY. Who does that canal belong to?

Mr. GROVES. It belongs to a private corporation. It was built by subscription. Each one of the States subscribed. The State of Pennsylvania subscribed \$100,000, the State of Maryland subscribed \$100,000, and the State of Delaware subscribed \$50,000, and the United States Government eventually finished it. The United States Government subscribed \$750,000 or \$800,000; in fact, I could not tell you what the exact amount is.

Mr. HUMPHREY. The Pennsylvania Railroad controlled it?

Mr. GROVES. It is controlled by no railroad, but there have been times when the Pennsylvania Railroad did have a considerable influence over what rate they should charge.

Mr. HUMPHREY. What canal is it that the railroad owns?

Mr. GROVES. The railroads own the Delaware & Raritan, that is between Bordentown and New York. We had a line which run

through the two canals, and we had to take it out. To show how that operates against the public good, before the Baltimore & Ohio Railroad was built, they had a contract, as I understand with the Chesapeake & Delaware Canal to move a certain tonnage of coal. Of course there was bitter competition with the Pennsylvania Railroad. The coal was coming north or going east at a rate, I think, of 8½ cents a ton or something of the kind. The Pennsylvania brought pressure to bear on the Delaware & Chesapeake Canal, and they worked it this way: We had our two lines going through the Chesapeake Canal, and we had the Baltimore & Philadelphia Steamboat Co., and we had the New York & Baltimore Transportation Line, which ran between Baltimore and New York and traded through the two canals, and they came up through the Chesapeake and then went on up to New York by the Delaware & Raritan. The Delaware & Raritan was owned by the Pennsylvania Railroad. The combined tolls on the through traffic were about 25 per cent, which paid 15 per cent to the Delaware & Raritan for 32 miles' haul and 10 per cent to the Delaware & Chesapeake Canal.

Mr. HUMPHREY. We have heard it argued frequently the past year that the tolls upon vessels going through the canal was no obstruction to commerce?

Mr. GROVES. Was no obstruction?

Mr. HUMPHREY. Yes.

Mr. GROVES. I can not understand how that would work. If you were in the business, you would think differently.

Mr. HUMPHREY. Some very learned gentlemen have been making that argument and they say it is no obstruction.

Mr. GROVES. I do not think they know what they are talking about.

I was going to tell you how it operated in this canal business. The Pennsylvania Railroad went to these people and they made a deal that if they would put this toll rate up on the Baltimore & Ohio—I forget, but I think it was 20 cents—this is only from recollection—that they would make our rate 10 cents and give them the 15 cents from us. Do you see?

The CHAIRMAN. They would do what?

Mr. GROVES. They would accept from us for the 32 miles 10 cents and give the 15 cents to the Chesapeake & Delaware if they would put up the rate on the coal business practically to eliminate coal. That figured all down to what it would amount to. That is what caused the building of the Baltimore & Ohio Railroad to Philadelphia; that started the fight. You see, there is where a canal can cripple commerce. There is no coal goes through that canal at all. And none has gone through there since that time. Then they shoved that toll up to 15 cents and we eventually had to get out. The charge on our Philadelphia line for the short haul was 25 cents. There was another discrimination. Clyde had a line going through. They charged 10 cents. So Clyde pulled around and he went around outside to Norfolk, Richmond, and Washington, but we could not get outside because it was too long a haul for us, and they had us, and they have got us yet.

So that is only one instance of one canal, but every canal in this country has been absorbed by the railroads, or been practically killed.

The Delaware & Raritan was owned by the Pennsylvania Railroad and used to do an enormous business; it does practically nothing now and has been allowed to practically fill up. So it seems to me there ought to be some jurisdiction over canals given to the Interstate Commerce Commission for the protection of the water commerce. That is interstate business absolutely, pure and simple, and they charge us just as much toll on our wayfreight. For instance, we lock into Delaware City, and we will carry that freight probably 300 yards, and they charge us just as much toll as though it went all the way through the canal. We do not seem to have any rights they are bound to respect. These are conditions that I think you want to know.

The CHAIRMAN. It is very clear from your statement of facts that the Government would have jurisdiction over the tolls of that canal.

Mr. GROVES. I should think so.

The CHAIRMAN. As much so as through the Panama Canal?

Mr. GROVES. Absolutely to fix a reasonable rate.

Then, they have got a most ridiculous toll sheet here. I want to tell you about the rate they are going to charge us now.

But I got away from that story. They proposed to charge us, and are charging us now, 10 cents a gross ton on the gross tonnage of our registered tonnage of steamers. I want to tell you how absurd that is. You take our steamer *Ericsson*, for instance, which has a registered tonnage of 897 tons, according to the regulations of measurement by the United States Government. We can not load on that boat dead-weight capacity over 275 tons; that is her full loaded capacity, loaded down to the guards on the canal, and all she will carry through the canal, since it only has 9 feet of water. So you see they are charging us on more than three times what the vessel carries. Then, they charge us the full charges on empty boat coming back the same tonnage and the same price, whether she has anything in her or whether she has not. That is the present rule under which we are working, and we had a dispute with them; and to overcome that, I had to cut my sailings down from every day to every other day, and we have refused to pay them on the empty.

According to their printed toll sheet, a boat that passes through the canal loaded one way has a right to return empty free inside of 30 days. They say, however, we are working under a special agreement, and they will not apply that to our boat.

Mr. HUMPHREY. The Government has no control over that canal?

Mr. GROVES. No, sir; but the Government has large interests in it, and it is really a public highway. It takes the same position, in my opinion, as a toll road would. It has no right of transportation—

Mr. HUMPHREY. I know the people are very anxious to have the Government take it over.

Mr. GROVES. Oh, yes; take over the canal. It would certainly be a great benefit to the Atlantic coast to have that a free ship canal, a magnificent thing for the whole Atlantic, and do more to equalize rail rates than anything I know of. These people's toll sheet is absolutely absurd. They talk about putting us on this toll sheet. This toll sheet probably is older than the canal, and I do not think it has got over a hundred articles mentioned here; and you take our transportation—and I do not know how many thousands it has got in it—and we are absolutely unable to work under any such rate.

For instance, take the question of sugar. On this toll sheet sugar is 20 cents a thousand pounds, or 40 cents a ton. We only get 80 cents a ton for it.

The CHAIRMAN. From Philadelphia to where?

Mr. GROVES. That is from Philadelphia to Baltimore.

The toll sheet on the canal is 20 cents a thousand, or 40 cents a ton. By the time we load and unload out of our ports we would not have anything left. Other articles are run up as high as a dollar a ton. Of course, we could not work under this toll sheet; it would be an absolute impossibility. And this is the condition under which we are working on that canal. They reserve the right to charge whatever they please. If you would like to have one of these toll sheets, I will give it to you, Mr. Alexander [handing document to the chairman].

The CHAIRMAN. Is there anything else?

Mr. GROVES. There is another one; this is 1906, and the first one is 1912.

Mr. POST. You said that this canal was built by the State of Pennsylvania contributing \$100,000, Maryland \$100,000, Delaware \$50,000, and the United States \$800,000 or \$900,000.

Mr. GROVES. Somewhere in that neighborhood. I do not know exactly what amount the United States Government gave, but somewhere between \$800,000 and \$900,000.

Mr. POST. Were there any other contributors?

Mr. GROVES. The other was contributed by private subscription.

Mr. POST. What would that amount to?

Mr. GROVES. I think the canal cost originally about \$1,900,000. It was built by hand, by shovels, and dug out with shovels, and their stock to-day is of no value, but they have a bonded indebtedness of about \$2,600,000, \$800,000 of which was this defalcation, which they had to assume.

The CHAIRMAN. As I understand, referring to the difficulty you had in procuring ships, the same difficulty obtains with reference to the chartering of ships?

Mr. GROVES. Absolutely. Mr. Alexander, I will give you an illustration of that. Last fall we were very much crowded with business, and one of our boats had to go to the shop and have some repairs made; and I had to charter a boat to get away from our congestion. I had every broker in New York employed to try to get me a boat, and the only boat we could get was one of Bull's boats; and we eventually got that boat, and I had to pay him \$11,000 for the trip. There are no boats on the coast—none to be had. And—take the condition that exists—thousands of tons of stuff waiting for transportation which they could handle with these boats, and you can not get a boat.

Mr. STEVENS. Is that due to the scarcity of steamships or to influence of the interests which they were using against you?

Mr. GROVES. Both. In the first place, it is caused by a great scarcity of ships and the demand for ships. They are not there, and they can not be had; and then these very interests that I speak to you about have ships laid up in their Brooklyn yards, ships which they have replaced with new vessels—excellent vessels for this trade—the Southern Pacific and the Clyde Lines—which they will neither charter nor sell, and you can not get them at any price.

The CHAIRMAN. How many are there?

Mr. GROVES. The Southern Pacific, five; and with those five ships they organized a company. That is another thing they did. And this man Spence and those men there—and called it the Gulf Line—got just as near to us as they could; and then they made certain rates to particular territory covered by our connections south to Louisiana and Mississippi and brought great odium on us through those people, to the effect that we were cutting rates. They put those ships into Baltimore—anywhere—tramped them; and we took it up with these people, and we proved to them it was not our line, but it was that other line that had organized this company called the Gulf Line; and I said to Spence, "What are you going to do with those ships?" "Well," he said, "we are going to do as other people do; we are going to put them wherever we can get a load." I said: "In other words, you are going to use it as a club on anybody that goes into that territory?" And he said, "Yes; that is what we organized this company for. We have filed our accounts down at Washington with the Interstate Commerce Commission, and it is all right." I do not know what they filed down here, but that is the situation.

The CHAIRMAN. In other words, they used them as "fighting ships"?

Mr. GROVES. That is it. In other words, they do not intend to let anybody handle that business. What they can not handle, it has got to go.

The CHAIRMAN. What effect did it have on rates?

Mr. GROVES. I think it affected Warfield's rates more than anything else. It did not affect our rates, because we did not go into New Orleans. We went to Galveston and Texas points, and they really hurt Bull and Luckenbach more than they did us, because we had only two ships. We had more stuff than we could handle.

The CHAIRMAN. Would you call that, then, a "line of fighting ships"?

Mr. GROVES. That is just what it was.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. POST. Are they still using those ships?

Mr. GROVES. Where they can get a load they use them. If they can find a load Bull or somebody else is going to get, they will slip one of those ships in. The last one was a day or two ago, the *El Dorado*, which had a load of railroad iron from Sparrows Point to Galveston, and she was lost, and everybody on it—overloaded, I guess.

The CHAIRMAN. Is there anything else, gentlemen. Did you ever put your troubles before the Interstate Commerce Commission?

Mr. GROVES. No, sir.

The CHAIRMAN. Why not?

Mr. GROVES. Well, we have had so much trouble and expense. The only way that we have put it before the Interstate Commerce Commission is that we have our concurrences filed with the Interstate Commerce Commission the same as other lines have, and we have asked them to take the matter up to get certain rates prorated with us, and they have promised to use their influence, and we have never forced it, simply because we have not the tonnage to handle the stuff. They crippled us and abolished us and crushed us so that

we are not in a position to handle the business. We turned away within 60 days last fall 40,000 tons of freight northbound from New Orleans.

The CHAIRMAN. Your company is still operating?

Mr. GROVES. Yes, sir; just two ships. We are operating with the hope that we will be able to finance it. We have not yet been able to find a "Moses." I do not know whether we will be able to find financial backing or not. We have got a young man in there as receiver, and he thinks he can pull the thing out by getting it financed. I am afraid he has got into the hands of the Philistines of New York.

The CHAIRMAN. How is that?

Mr. GROVES. He has got in touch with some of those New York people, and I am afraid they will take advantage of him.

The CHAIRMAN. As I understand, your line is now in the hands of a receiver, and your theory is that the interests will get control of it?

Mr. GROVES. I do not know hardly what the upshot is going to be. We have Samuel P. Wetherill, jr., of Philadelphia, a very bright young fellow, but who does not know anything about the business—I took him in the business and tried to interest him. He is a very rich young fellow and all that, and his father wants to bring him to the front, and he is trying to finance this thing. Like a good many other young men, he thinks he knows it all, and I think they are making a "goat" of him, to be perfectly frank. I know every one of those New York fellows. They can not fool me.

The CHAIRMAN. Gentlemen, we will now adjourn until to-morrow morning at 10.30, when Mr. Warfield will be here.

Thereupon, at 3.20 o'clock p. m., the committee stood adjourned until to-morrow, Saturday, February 8, 1913, at 10.30 a. m.

SATURDAY, FEBRUARY 8, 1913.

The committee met at 1.50 o'clock p. m., Hon. Joshua W. Alexander, chairman, presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Greene, and Stephens.

The CHAIRMAN. If there is no objection, I will insert in the record a letter from Mr. Lorenzo Daniels, agent of the Lamport & Holt Line, dated January 30, 1913, in which he seeks to justify pooling, the granting of rebates, and other practices of the steamship lines that are under criticism.

The paper above referred to was marked "Exhibit No. 104." and is as follows:

EXHIBIT No. 104.

LAMPORT & HOLT LINE,
New York, January 30, 1913.

Dr. S. S. HUEBNER,
Committee on the Merchant Marine and Fisheries,
Washington, D. C.

MY DEAR DR. HUEBNER: In keeping apace with the testimony that has been presented before Judge Alexander's committee I find that the economic advantages of the present-day shipping methods are not being brought out as prominently as I could wish. My object in opening this question with you is not so much to make an argument in defense of the methods, but to discuss the

advantageous points that we see in the present methods, so that the information may become a matter of record and serve its ultimate purpose in the general forward progress of commerce in which we are both interested.

Let us first consider rebates, discounts, commissions, bonuses, or any other name that you may wish to apply to payments made to the shipper in consideration of his supporting the services of the regular lines.

First, you must consider that each line specializes its trade, building appropriate steamers and keeping them available in the trade, and thus becoming as much a part of the trade as the shipper, merchant, or banker. The route, however, over which the steamer plies its trade is an unrestricted and unprotected open sea, and if a tramp steamer, shifting ports or passing, desires to call at one of these ports and offers transportation at a cut figure that would not in itself pay, unless the tramp was returning to a given point empty, as with the case of a taxicab that has done a long haul and is returning empty to the point of starting, the temptation of cheap rates is sure to interest some merchant on the spot, who is always keen to get ahead of his competitors, and if he takes the space of this bargain tramp steamer, so to speak, he obtains an advantage for the time being on his competing merchants in the trade and upsets the whole harmony of the community.

The regular line, which is not in the port for a day only on a chance voyage, but is there performing a service week in and week out both ways at a fair basis of profit, is called upon by the merchants to protect them against the competitor who has used a bargain steamer and may in turn speculate on getting another. If the regular line attempts to meet this condition, it is obliged to do its business at a loss and the natural development and advance stops, because no business that has not a margin of profit or reasonable prospects for the future is an expanding business.

In other words, the idea of the discount or contract, between the shipper and the regular line, is one of continuous service on the one part and continuous support on the other; and, unless this agreement takes substantial form in the shape of a 5 or 10 per cent cash discount, human nature is such that there is always some merchant willing to sacrifice broad principles for the present opportunity of beating out some of his rivals. The larger merchants, the trade as a whole, and every merchant that is conscientious, will admit that on broad lines regularity of service and stability of rates, provided always, of course, that there is no unreasonableness or excessive charge, are the backbone and structure on which healthy progressive commerce is developed; and the discount, commission, or bonus system is the outward or visible sign, so to speak, that causes the selfish man, who would beat his rivals out, to stop and think whether it is worth while. He generally discovers that his little discount coming from the regular lines, more than counterbalances the value of the bargain or bargains that he may be offered during the year. In other words, the discount or rebate system is a quid pro quo that the regular line can afford to pay to secure stability in the steady flow of traffic and rates and is an equivalent that pays the merchant at the end of the year a better value than is derived from occasional bargains. In addition, it enables the transportation service in the trade to be steady, regular, and efficient. I might further add that indirectly one merchant putting through a business transaction at a cut rate, based, we will say, on picking up a bargain that did not pay the owner on its own merits, disorganizes and entails a loss on 10 other transactions of equal magnitude that the regular merchants in the trade must bear.

Pooling or copartnerships.—The economic basis of pooling has only been brought out in part, more especially as it affects the weaker sisters in the trade, but it goes into economics, touching the human side, this time among the steamship people themselves. I might say at once that pools are not pets of mine, as I am always a loser, i. e., have to pay out. However, taking a trade as a whole, no steamship line that I know of has a fleet of all classes of boats, i. e., high-priced passenger and mail boats, medium fast-freight boats, ordinary freight boats, and specially constructed boats. As a rule, each one of these specialties, so to speak, is owned by a different company. They are, however, all necessary in the employment of a large and developing trade, each having its own sphere of utility. If they are in a pool or partnership, each special class is willing to go ahead and perform its special duty without envying the class that is a little higher up, or without waiting until a particular class of boats fills, if the good of the trade requires frequency of service. It is only under a pool or partnership agreement that separate owners will act thus disinterestedly and get their pay out of the common whole. Without a pool or partnership, each boat or line being on its own merits, the temptation

is irresistible to try to make the most money possible out of the particular boat. I mean by this that an ordinary freight boat will be constantly trying to get the class of freight that belongs to the fast-freight service, and boats that should sail at 10-day intervals will hold over and wait for cargo if it happens at that particular time to be scarce, thus disarranging a service and system that is equally valuable to the development of the trade in the long run as it is to the ships, as no one owner wants to bear more than his share of misfortune and equally does not want to see another owner get away with more than his proportion of profits. To equalize this, save the rough edges, and economize generally in the smooth running of business, a pool or partnership on the ocean is very desirable. As an example: On land you can take a railway between two prominent points—say, between Philadelphia and Chicago, and the same railway will run limited passenger trains, ordinary passenger trains, fast-freight trains, special coal, oil, cement, etc., trains, and each of these performs its own specific work as economically as possible, and the total result goes into the one railway.

As your committee's work is fast drawing to a close, I hope that my present long letter will simply bring out one or two new points that do not appear to have been touched upon in the published testimony. We are both desirous, I feel confident, of making a close study of these working conditions to procure for ourselves and our commercial communities the very best results, and to ward off and prevent as far as possible any injudicious commercial recommendations that might come forward by reason of all the points not being clearly brought out.

With kind regards, believe me,

Yours, very truly,

LORENZO DANIELS.

I also desire to insert a letter from Mr. Lorenzo Daniels, of date February 1, 1913, to which is attached a table showing the imports of coffee from South America, the date of arrival of steamer, the number of bags of coffee, the cargo capacity of the vessel, and the number of bags short of the cargo capacity of the several vessels at the date of sailing. This information is furnished at the request of a member of the committee.

The paper above referred to was marked Exhibit No. 105 and is as follows:

EXHIBIT No. 105.

LAMPART & HOLT LINE.

New York, February 1, 1913.

DR. S. S. HUEBNER,

Committee on the Merchant Marine and Fisheries,

Washington, D. C.

MY DEAR DR. HUEBNER: Referring to the testimony in the Brazil trade, to the effect that the northbound cargo from Brazil to the United States was insufficient for the number of ships in the trade, I inclose the following list of the steamers of the Lamport & Holt Line arriving inward during 1912 from South America, their estimated coffee capacity, the amount of coffee they actually carried, and the amount of space that was available. You will see that the number of steamers coming from South America to New York exceeds the cargo available, and, furthermore, that the ships that best serve this trade must retain the trade. In times past we have fought for this business at 10 cents per bag, which is less than the cost of loading; and, if necessary, we would fight for it again, because it is essential to our economic management. But, on the other hand, the merchants in this trade look at matters very broadly and are willing to pay fair value for fair service.

In my paper before the Coffee Roasters' Association at New York on the subject of Brazil freights I demonstrated that, in comparison with the open market values and services in other directions, our Brazil coffee freights at present are low. The figures themselves are about as follows, based on the current rates in December last and taken as a comparison with the rates from Brazil to European ports and to the United States. The figures also show the rates on coffee from the United States to Europe and coast ports. The figures are from Brazil to New York, but as we use the same rates from Brazil to New Orleans, which is slightly farther, it follows that had I used these figures they would show more advantageously in favor of the shipper.

A bag of coffee, weighing 132 pounds, from Brazil to New York, has been paying 40 cents and 5 per cent per bag. Within the last fortnight the rate has been advanced to 50 cents and 5 per cent per bag. These rates work out as follows:

Per bag (132 pounds).	Per 100 pounds.	Haulage (nautical miles.)	Per bag per mile.
40 cents and 5 per cent.....	<i>Cents.</i> 31½	5,000	<i>Cents.</i> 0.008
50 cents and 5 per cent.....	40	5,000	.61

From Brazil to London, Liverpool, Hamburg, and other similar ports the rate is 45s. and 5 per cent per 1,000 kilos, and works out as follows:

Per 1,000 kilos.	Per 100 pounds.	Haulage (nautical miles.)	Per bag per mile.
45s. and 5 per cent.....	<i>Cents.</i> 52	5,500	<i>Cents.</i> 0.0125

From Brazil to Havre the rate is 50 francs and 10 per cent per 900 kilos, and works out as follows:

Per 900 kilos.	Per 100 pounds.	Haulage (nautical miles.)	Per bag per mile.
50 francs and 10 per cent.....	<i>Cents.</i> 58	5,500	<i>Cents.</i> 0.0133

Carrying the comparison to the Atlantic haul, we find the rate from New York to Liverpool, Havre, Hamburg, etc., to-day works out as follows:

Per 2,240 pounds.	Per 100 pounds.	Haulage (nautical miles.)	Per bag per mile.
25s. and 5 per cent.....	<i>Cents.</i> 29	3,300	<i>Cents.</i> 0.012

From New York to Charleston, Savannah, New Orleans, and Halifax the rates work out as follows:

Per 100 pounds.	Haulage (nautical miles.)	Per bag per mile.
22 cents, including lighterage to Charleston.....	620	<i>Cents.</i> 0.068
32 cents, including lighterage to Savannah.....	692	.062
25 cents, including lighterage to New Orleans.....	1,730	.019
26 cents, including lighterage to Halifax.....	580	.06

Showing a proportionately high cost per bag per mile.

As you will have noticed from other testimony, the Brazil coffee rate includes lighterage and other expenses running up to from 12½ cents to 15 cents per bag. These figures showed at the time that transportation between Brazil and the United States was the cheapest transportation for similar work in any part of the world; and I presume that neither the committee nor the people

of the United States expect to get as a permanency a dollar's worth of value for 90 cents.

Yours, faithfully,

LORENZO DANIELA

Coffee brought from Brazil to New York by Lamport & Holt Line steamers during the year 1912.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity (bags).	Short of cargo (bags).	Date of arrival.	Steamer.	Number of bags coffee.	Capacity (bags).	Short of cargo (bags).
Jan. 3	Verdi.....	16,879	20,000	3,121	June 27	Thesphs....	14,946	105,000	90,054
7	Terence.....	49,231	105,000	55,769	July 3	Verdi.....	6,132	80,000	73,868
19	Sallust.....	69,797	75,000	5,203	9	Camoens.....	68,718	90,000	21,282
24	Tennyson.....	37,849	53,000	15,151	31	Tennyson.....	7,650	53,000	45,350
Feb. 1	Tremont.....	20,972	120,000	99,028	31	Cavour.....	79,961	105,000	25,039
4	Vasari.....	12,701	50,000	37,299	Aug. 5	Vasari.....	6,983	50,000	43,017
15	Titian.....	41,422	105,000	63,578	25	Byron.....	14,218	53,000	38,782
15	Tripoli.....	59,964	120,000	60,036	Sept. 2	Siddons.....	81,227	120,000	38,773
22	Byron.....	11,533	53,000	41,467	7	Voltaire.....	4,224	30,000	25,776
Mar. 7	Voltaire.....	9,555	50,000	40,445	Oct. 5	Verdi.....	2,000	50,000	48,000
7	Thesphs.....	45,417	105,000	59,583	7	Canning.....	66,038	120,000	53,962
23	Tennyson.....	19,483	53,000	33,517	14	Tennyson.....	35,455	83,000	47,545
Apr. 3	Cavour.....	11,508	105,000	93,492	29	Titian.....	71,812	105,000	33,188
23	Verdi.....	17,576	20,000	2,424	Nov. 1	Byron.....	2,133	50,000	47,867
May 5	Byron.....	23,730	53,000	29,270	5	Vasari.....	9,356	90,000	80,644
6	Vasari.....	None.	50,000	50,000	15	Camoens.....	64,478	90,000	25,522
8	Terence.....	49,421	105,000	55,579	19	Vestris.....	10,880	100,000	89,120
24	Canning.....	7,655	120,000	112,345	Dec. 4	Cervantes.....	25,525	40,000	14,475
June 7	Tennyson.....	22,968	53,000	30,032	6	Voltaire.....	11,190	50,000	38,810
19	Voltaire.....	9,899	50,000	40,101	25	Thesphs.....	78,530	105,000	26,470
23	Titian.....	30,932	105,000	74,068					
	Byron.....	5,038	53,000	47,962			1,239,186	3,115,000	1,875,814

V. Steamers estimated Brazil space 50,000 bags.

Also a table furnished at the request of a member of the committee by Mr. Herbert Barber, of Barber & Co., showing the number of steamers dispatched during 1912, New York to Argentina.

The paper referred to was marked Exhibit No. 106, and is as follows:

EXHIBIT No. 106.

Steamers dispatched during 1912, New York to Argentina.

Date.	Name.	Flag.	Registered tonnage.	Estimated cargo.
Jan. 5	Scottish Prince.....	British.	2,897	4,112
6	Lincolnshire.....	do.	3,965	5,408
9	Madawaska.....	do.	4,120	5,775
16	Celia.....	do.	5,074	7,000
17	Industry.....	do.	4,044	6,400
18	Horatius.....	do.	5,532	7,333
20	Verdi.....	do.	6,575	8,244
23	Ethelwynne.....	do.	3,220	4,400
24	Hellenes.....	do.	3,332	4,519
24	Queen Mary.....	do.	3,564	4,800
27	Orange Prince.....	do.	3,593	4,900
28	Minola.....	do.	4,706	6,400
30	Drumcraig.....	do.	4,663	6,400
Feb. 3	Hilarius.....	do.	3,147	4,040
4	Charlton Hall.....	do.	4,749	6,400
8	Glamorgan.....	do.	3,339	4,500
9	Tremont.....	do.	4,900	6,400
11	Siamese Prince.....	do.	4,946	6,654
15	Miguel de Larrinaga.....	do.	4,089	5,400
20	Vasari.....	do.	2,401	3,200
25	Bantu.....	do.	4,189	5,700
25	Drumcondra.....	do.	4,091	5,200
Mar. 2	Hyperia.....	do.	3,908	5,100
2	Craster Hall.....	do.	4,319	5,800
2	Tripoli.....	do.	3,456	4,600
8	Gen. Consul Palissen.....	Danish.	2,130	2,900
13	Trabboch.....	British.	4,014	5,400
14	Ikaria.....	do.	4,335	5,800

Steamers dispatched during 1912, New York to Argentina—Continued.

Date.	Name.	Flag.	Registered tonnage.	Estimated cargo.
				<i>Tons.</i>
Mar. 14	Dochra.....	British.....	4,310	7,603
14	Ocean Prince.....	do.....	3,583	6,054
17	Farley.....	do.....	4,276	7,400
20	Voltaire.....	do.....	8,406	5,762
23	Honorius.....	do.....	3,476	5,040
23	St. Ronald.....	do.....	4,387	7,938
Apr. 2	Chipana.....	do.....	5,649	1,200
5	Hungarian Prince.....	do.....	4,765	7,653
6	Marchioness of Bute.....	do.....	4,294	6,447
7	Ascot.....	do.....	4,334	7,680
11	Gloria de Larrinaga.....	do.....	4,649	8,457
12	Santa Rosalia.....	do.....	5,409	9,400
12	Ramazan.....	do.....	3,477	5,000
16	African Prince.....	do.....	4,916	6,333
20	Wladimer Riets.....	Danish.....	2,128	4,500
20	Verdi.....	British.....	6,578	3,625
20	Inveran.....	do.....	4,380	7,000
21	Newton Hall.....	do.....	4,169	1,980
21	Lady Carrington.....	do.....	3,920	6,350
23	Earl of Forlar.....	do.....	4,453	7,046
27	Orange Prince.....	do.....	3,583	4,636
May 1	Matin.....	do.....	3,838	6,263
1	Dartmouth.....	do.....	3,322	7,800
3	Industry.....	do.....	4,044	6,720
3	Calliope.....	do.....	3,829	8,000
8	Gibraltar.....	do.....	3,803	4,355
7	Howick Hall.....	do.....	4,460	832
8	Madawaska.....	do.....	4,120	8,077
10	Lodoror.....	do.....	3,207	7,700
11	Herminius.....	do.....	3,548	5,000
14	Chinese Prince.....	do.....	4,834	5,289
15	St. Helena.....	do.....	4,203	1,500
17	Herm.....	Norwegian.....	3,902	7,412
20	Vasari.....	British.....	8,401	4,924
21	Coulsdon.....	do.....	4,292	7,750
26	Thyra.....	Norwegian.....	3,742	6,027
30	Queen Adelaide.....	British.....	4,965	9,500
June 1	Kelvinhead.....	do.....	3,063	5,428
2	Foxton Hall.....	do.....	4,247	1,567
4	Portuguese Prince.....	do.....	4,981	8,083
6	Ethelaida.....	do.....	2,669	6,000
15	Drumcliffe.....	do.....	4,072	7,800
20	Wilberforce.....	do.....	3,074	6,500
20	Voltaire.....	do.....	8,406	6,290
22	Bantu.....	do.....	4,189	6,987
26	Hyanthes.....	do.....	3,427	5,257
27	Dochra.....	do.....	4,310	7,796
27	Frankmount.....	do.....	4,900	8,500
July 2	Austrian Prince.....	do.....	4,831	6,792
6	Celia.....	do.....	5,004	1,800
6	Aymeric.....	do.....	4,363	8,000
11	Horatius.....	do.....	3,552	6,310
16	Bellasco.....	do.....	3,803	6,609
18	Istina.....	Austrian.....	3,544	7,854
20	Verdi.....	British.....	6,578	3,970
23	Siamese Prince.....	do.....	4,846	5,713
24	Ventura de Larrinaga.....	do.....	4,648	8,552
25	Santa Rosalia.....	do.....	5,409	8,894
27	Drumlanrig.....	do.....	4,284	9,000
28	Charlton Hall.....	do.....	4,749	2,089
Aug. 2	Hyperia.....	do.....	3,908	6,230
3	Salfust.....	do.....	3,628	4,388
4	Charcas.....	do.....	5,067	1,500
7	Queen Adelaide.....	do.....	4,965	8,700
7	Victoria de Larrinaga.....	do.....	4,648	8,563
9	St. Quentin.....	do.....	3,365	7,100
10	Ikaris.....	do.....	4,335	7,700
11	Cavour.....	do.....	5,156	5,784
13	Ocean Prince.....	do.....	3,583	6,209
14	Raster Hall.....	do.....	4,319	1,736
17	Countess Warwick.....	do.....	4,108	8,000
20	Vasari.....	do.....	8,401	5,195
21	Hoyle Bank.....	do.....	3,298	4,851
23	Whitgift.....	do.....	4,379	7,700
23	Bellgrano.....	do.....	4,734	9,500
24	Ardoyne.....	do.....	4,315	7,095
24	Industry.....	do.....	4,044	6,305
27	Hottelius.....	do.....	3,325	5,848

Steamers dispatched during 1912, New York to Argentina—Continued.

Date.	Name.	Flag.	Registered tonnage.	Estimated cargo.
				<i>Tons.</i>
Aug. 31	Orange Prince.	British	3,583	4,988
Sept. 4	Greenbank	do	3,881	6,400
7	Arna	Norwegian	5,264	1,661
8	St. Ronald	British	4,387	6,904
10	Alton	do	3,586	8,000
12	Siam	Austrian	4,629	9,550
14	Siddons	British	4,189	7,499
18	African Prince	do	4,916	6,496
20	Earl of Forfar	do	4,453	7,611
20	Voltaire	do	8,406	5,987
20	Comeric	do	3,980	6,900
21	Herminius	do	3,548	5,596
26	Bantu	do	4,189	5,948
28	Farley	do	4,276	8,416
Oct. 1	Warrior	do	3,674	8,000
2	Terence	do	4,309	3,767
3	Herm	Norwegian	3,902	6,231
5	Chipana	British	5,849	1,709
5	Hungarian Prince	do	4,765	8,527
11	Newton Hall	do	4,169	1,697
16	Chinese Prince	do	4,834	4,814
17	Hyanthes	do	3,427	6,714
18	Queen Helena	do	4,224	7,500
19	Verdi	do	6,578	3,817
27	Howick Hall	do	4,460	956
30	Chincha	do	6,341	1,300
31	Fruth	do	4,406	7,650
Nov. 1	Dochra	do	4,310	7,864
2	Tennyson	do	3,901	3,213
2	Hylas	do	4,283	8,404
2	Portuguese Prince	do	4,981	7,380
10	Singapore	do	4,230	6,405
10	Drumcliffe	do	4,072	7,480
18	Hyperia	do	3,906	7,176
20	Vasari	do	8,401	5,251
23	Calliope	do	3,829	6,000
24	Helredale	do	3,667	7,700
26	Austrian Prince	do	4,831	8,408
Dec. 4	Istina	Austrian	3,544	7,284
5	Gen. Consul Palissen	Norwegian	2,130	5,500
7	Industry	British	4,044	6,700
12	Celia	do	5,004	1,800
13	Hypatia	do	5,663	10,469
14	Voltaire	do	8,406	7,567
18	Siamese Prince	do	4,846	6,133
19	St. Quentin	do	3,365	6,214
19	Clifton	do	3,592	7,800
27	Esperanza de Larrinaga	do	4,981	8,956
27	Charcas	do	5,067	1,500
27	Foxton Hall	do	4,247	1,841
28	Vestris	do	10,494	5,015
31	Honorius	do	3,476	6,300

Total number of steamers in 1912	158
Compared with steamers in 1911	151
Total registered tonnage for 1912	tons 707,067
Total registered tonnage for 1911	do 668,370
Total estimated tons of cargo for 1912	do 972,306
Total estimated tons of cargo for 1911	do 938,192

Also a communication from Mr. Preston, president of the United Fruit Co., furnishing a table of the record of importations of bananas into the United States by years ending September 30, 1912. It is furnished at the request of the committee, the purpose of the committee in asking for the information being to ascertain what portion of the imports of bananas was controlled by the United Fruit Co.

The paper above referred to was marked Exhibit No. 107, and is as follows:

EXHIBIT No. 107.

Record of importations of bananas into the United States by years ending Sept. 30, 1912.

	Bunches of bananas, 1900.	Total for 13 years, 1900 to 1912, inclusive.
Boston:		
United Fruit Co.	2,209,120	39,226,492
Other companies.		5,304,526
Total	2,209,120	44,531,018
New York:		
United Fruit Co.	2,179,272	52,262,883
Other companies.	71,650	28,670,001
Total	2,250,922	90,932,884
Philadelphia:		
United Fruit Co.	1,353,189	28,660,203
Other companies.	14,353	19,970,731
Total	1,367,542	48,630,934
Baltimore:		
United Fruit Co.	1,280,621	23,264,298
Other companies.	67,163	30,173,795
Total	1,347,784	53,438,093
Charleston:		
United Fruit Co.		4,759,153
Other companies.		210,834
Total		4,969,987
New Orleans:		
United Fruit Co.	3,573,164	71,613,386
Other companies.	2,361,057	56,864,883
Total	5,934,221	128,478,269
Mobile:		
United Fruit Co.	543,308	23,685,585
Other companies.	828,241	30,482,729
Total	1,371,549	54,168,314
Galveston:		
United Fruit Co.		409,359
Other companies.		2,226,400
Total		2,635,759
Port Arthur:		
United Fruit Co.		
Other companies.		28,500
Total		28,500
Houston:		
United Fruit Co.		
Other companies.		75,000
Total		75,000
Fresno:		
United Fruit Co.		
Other companies.		2,000
Total		2,000
Tampa:		
United Fruit Co.		
Other companies.		465,563
Total		465,563

*Record of importations of bananas into the United States by years ending Sept.
30, 1912—Continued.*

	Bunches of bananas, 1900.	Total for 13 years, 1900 to 1912, inclusive.
San Francisco:		
United Fruit Co.....		
Other companies.....		1,679,178
Total.....		1,679,178
Brunswick:		
United Fruit Co.....		
Other companies.....		1,944
Total.....		1,944
Providence:		
United Fruit Co.....		
Other companies.....		1,068,150
Total.....		1,068,150
Savannah:		
United Fruit Co.....		52,353
Other companies.....		
Total.....		52,353
Key West:		
United Fruit Co.....		
Other companies.....		11,310
Total.....		11,310
Norfolk:		
United Fruit Co.....		
Other companies.....	26,283	77,783
Total.....	26,283	77,783
Newport News:		
United Fruit Co.....	15,207	15,207
Other companies.....		124,000
Total.....	15,207	149,207
Jacksonville:		
United Fruit Co.....		
Other companies.....		3,075
Total.....		3,075
Total United Fruit Co.....	11,153,881	243,949,859
Total other companies.....	3,368,747	187,450,408
Grand total.....	14,522,628	431,399,267

1 56.3 per cent.

Treasurer's Office, Boston, Mass., February 4, 1913.

Records of importations into the United States by years ending Sept. 30.

	1906	1905	1904	1903	1902	1901
Boston:						
United Fruit Co.....	3,451,435	3,423,594	2,587,366	2,751,130	2,642,150	2,416,751
Other companies.....	430,422	494,518	281,909	296,715	108,595	
Total.....	3,881,857	3,918,112	2,869,335	3,047,845	2,750,754	2,416,751
New York:						
United Fruit Co.....	4,309,625	4,559,916	3,152,601	3,509,848	3,467,850	2,983,921
Other companies.....	3,244,081	2,083,454	1,282,975	1,725,999	1,832,829	1,498,750
Total.....	7,553,706	6,643,370	4,435,576	5,235,847	5,300,688	4,482,671

Records of importations into the United States by years ending Sept. 30—Con.

	1906	1905	1904	1903	1902	1901
Philadelphia:						
United Fruit Co.	2,513,855	2,953,710	2,077,129	2,325,704	2,215,696	1,876,248
Other companies.	1,904,630	2,317,279	800,194	1,180,827	295,396	275,298
Total.	4,418,485	5,270,989	2,877,323	3,506,531	2,511,092	2,151,546
Baltimore:						
United Fruit Co.	2,095,008	2,657,270	1,477,638	2,348,885	1,936,179	1,563,712
Other companies.	3,529,364	2,954,566	1,523,863	1,783,665	1,560,369	1,010,111
Total.	5,624,372	5,611,836	3,001,501	4,132,550	3,496,548	2,593,823
Charleston:						
United Fruit Co.	217,717			743,318	654,006	
Other companies.	4,000	2,600		89,822	64,331	49,969
Total.	221,717	2,600		833,140	718,337	49,969
New Orleans:						
United Fruit Co.	4,442,933	4,111,990	4,450,362	4,561,991	3,876,163	3,191,215
Other companies.	4,575,054	4,196,163	4,352,850	3,736,195	3,715,223	3,702,000
Total.	9,017,987	8,310,153	8,803,212	8,298,186	7,591,386	6,893,215
Mobile:						
United Fruit Co.	2,321,737	2,222,953	1,422,456	1,451,523	1,096,107	1,009,092
Other companies.	3,680,446	2,601,512	2,971,641	3,081,527	1,800,719	1,525,173
Total.	6,002,183	4,824,465	4,394,097	4,533,050	2,896,826	3,134,265
Galveston:						
United Fruit Co.						
Other companies.				13,200	124,000	
Total.				13,200	124,000	
Port Arthur:						
United Fruit Co.						
Other companies.						
Total.						
Houston:						
United Fruit Co.						
Other companies.						
Total.						
Fresno:						
United Fruit Co.						
Other companies.						
Total.						
Tampa:						
United Fruit Co.						
Other companies.	8,500	14,750	7,465	47,500	26,116	
Total.	8,500	14,750	7,465	47,500	26,116	
San Francisco:						
United Fruit Co.						
Other companies.		192,000	168,182	82,603	83,277	4,867
Total.		192,000	168,182	82,603	83,277	4,867
Brunswick:						
United Fruit Co.						
Other companies.	400	500			250	494
Total.	400	500			250	494
Providence:						
United Fruit Co.						
Other companies.				641,750	426,400	
Total.				641,750	426,400	

Records of importations into the United States by years ending Sept. 30—Con.

	1906	1905	1904	1903	1902	1901
Savannah:						
United Fruit Co.....					52,383	
Other companies.....						
Total.....					52,383	
Key West:						
United Fruit Co.....						
Other companies.....						
Total.....						
Norfolk:						
United Fruit Co.....						51,500
Other companies.....						
Total.....						51,500
Newport News:						
United Fruit Co.....					10,000	124,000
Other companies.....						
Total.....					10,000	124,000
Jacksonville:						
United Fruit Co.....						
Other companies.....				2,300		
Total.....				2,300		
Total United Fruit Co..	19,352,310	19,929,423	15,167,552	17,692,399	15,962,542	13,632,939
Total other companies..	17,729,207	14,859,402	11,399,139	12,682,133	10,047,505	8,242,122
Grand total.....	36,729,207	34,788,835	26,556,691	30,374,532	26,010,047	21,875,061

	1912	1911	1910	1909	1908	1907
Boston:						
United Fruit Co.....	3,516,006	3,365,033	3,186,161	3,250,363	3,251,297	3,174,977
Other companies.....	605,344	679,874	628,150	614,457	554,111	549,571
Total.....	4,182,350	4,044,907	4,814,311	3,864,840	3,805,408	3,723,448
New York:						
United Fruit Co.....	4,956,227	5,325,431	4,621,576	4,307,012	4,475,646	4,423,449
Other companies.....	4,655,449	5,613,841	3,991,359	4,891,300	3,743,247	4,035,917
Total.....	9,611,676	10,939,272	8,612,935	9,198,312	8,218,893	8,459,366
Philadelphia:						
United Fruit Co.....	2,096,835	2,115,613	1,943,057	2,370,813	2,133,005	2,685,339
Other companies.....	2,291,653	3,040,463	2,654,976	2,395,704	1,328,055	1,471,743
Total.....	4,388,488	5,156,076	4,598,033	4,766,577	3,461,060	4,157,082
Baltimore:						
United Fruit Co.....	1,508,379	1,559,143	1,394,410	1,720,469	1,563,134	2,139,449
Other companies.....	2,265,383	3,062,921	2,807,223	3,118,992	2,992,866	3,517,274
Total.....	3,763,762	4,612,064	4,201,633	4,839,461	4,556,000	5,656,723
Charleston:						
United Fruit Co.....	729,501	549,595	207,204	486,389	413,553	75,000
Other companies.....					112	
Total.....	729,501	549,595	207,204	486,389	413,665	75,000
New Orleans:						
United Fruit Co.....	8,388,480	7,711,848	6,971,400	7,253,294	6,562,448	6,496,400
Other companies.....	4,976,500	6,180,807	5,402,762	4,940,627	4,370,248	4,223,200
Total.....	13,364,980	14,022,655	12,374,222	12,193,911	10,932,696	10,719,600
Mobile:						
United Fruit Co.....	3,590,953	2,410,538	1,620,778	1,824,099	1,985,287	1,594,754
Other companies.....	1,575,275	2,346,972	2,769,061	2,068,954	2,237,747	2,453,400
Total.....	5,156,228	4,757,510	4,379,829	4,433,053	4,223,034	4,048,154

Records of importations into the United States by years ending Sept. 30—Con.

	1912	1911	1910	1909	1908	1907
Galveston:						
United Fruit Co.....	390,933	18,426				
Other companies.....	635,800	941,400	236,900	127,200	106,200	41,700
Total.....	1,026,733	959,826	236,900	127,200	106,200	41,700
Port Arthur:						
United Fruit Co.....						
Other companies.....			5,000	23,500		
Total.....			5,000	23,500		
Houston:						
United Fruit Co.....						
Other companies.....		75,000				
Total.....		75,000				
Fresno:						
United Fruit Co.....						
Other companies.....			2,000			
Total.....			2,000			
Tampa:						
United Fruit Co.....						
Other companies.....		10,000	330,000			21,232
Total.....		10,000	330,000			21,232
San Francisco:						
United Fruit Co.....						
Other companies.....	281,723	252,804	238,206	215,280	160,186	
Total.....	281,723	252,804	238,206	215,280	160,186	
Brunswick:						
United Fruit Co.....						
Other companies.....						300
Total.....						300
Providence:						
United Fruit Co.....						
Other companies.....						
Total.....						
Savannah:						
United Fruit Co.....						
Other companies.....						
Total.....						
Key West:						
United Fruit Co.....						
Other companies.....						11,310
Total.....						11,310
Norfolk:						
United Fruit Co.....						
Other companies.....						
Total.....						
Newport News:						
United Fruit Co.....						
Other companies.....						
Total.....						
Jacksonville:						
United Fruit Co.....						
Other companies.....						778
Total.....						778
Total United Fruit Co..	25,167,314	23,056,627	19,944,646	21,212,449	20,404,370	21,273,497
Total other companies..	17,338,127	22,324,082	19,055,627	18,936,074	15,492,872	16,337,648
Grand total.....	42,505,441	45,379,709	39,000,273	40,148,523	35,897,242	37,611,145

Since the committee took up the investigation of the so-called shipping trust, we have received complaints of shippers from time to time, and the attention of the agents of the foreign steamship lines has been called to those complaints. I have a communication from Mr. Gottheil, chairman of the committee of the foreign steamship agents, written in answer to that complaint, which will be printed in the record for the information of the committee and the country.

The paper above referred to was marked "Exhibit No. 108," and is as follows:

EXHIBIT No. 108.

FUNCH, EDEY & Co.,
New York, February 7, 1913.

HON. JOSHUA W. ALEXANDER,
Chairman, Committee on the Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: On January 15, 1913, a meeting of the representatives of the steamship lines engaged in the trade with foreign countries appointed a committee to keep in touch with the investigation which your honorable committee is empowered to make under House Resolution 587, regarding the methods and practices of the various ship lines engaged in carrying our over-sea and foreign commerce.

Mr. W. G. Sickel has verbally informed you of the existence of this committee; it is composed of the following agents: Mr. P. A. S. Franklin, Mr. W. G. Sickel, Mr. Herbert Barber, Mr. Wm. Boyd, Mr. A. E. Outerbridge, Mr. Paul Gottheil, chairman.

The aim of the committee is to aid your committee in obtaining the fullest possible information on the subject you are investigating, and with this in view my committee will be glad to assist you in every direction possible, whenever called upon to do so.

It has been brought to our notice that your honorable committee has received a number of letters from shippers voicing complaints against some of the steamship lines. No matter how anxious the latter may be to give equal satisfaction and full consideration to all shippers, whether large or small, it seems impossible to satisfy everybody, and this is a condition which will continue to exist in every line of business, irrespective of the methods and practices that may be employed. It is quite natural, therefore, that there will always be some people who may feel that they have been badly treated and therefore have a grievance against the steamship lines. Our committee, however, is convinced that no real basis for the complaints received can exist and that the lines whose activities are being criticized could readily justify themselves if given the opportunity to do so. Parties with a grievance are only too prone to air the same in an investigation such as your honorable committee is proceeding with, whilst the satisfied shippers, and they are legion, have no incentive to come forward to express their opinions about the treatment and help they are receiving in carrying on their business and in developing the same.

In our experience we have found a number of merchants exporting to foreign countries, especially some of the manufacturers, lacking in knowledge as to trade requirements, and very often the steamship lines are blamed quite unjustly. The editor of the Exporters Encyclopedia is our authority that the number of concerns interested in the export trade of this country is as follows:

Export commission houses.....	700
Forwarding agents.....	300
Shippers of provisions, flour, feeds, sirup, apples, grain, and other agricultural products.....	1,500
Manufacturers exporting direct.....	8,000
Manufacturers selling through export commission houses.....	15,000
	25,000

The editor in question states that the above is a conservative estimate and these figures will doubtless enable you to appreciate how small, after all, is the percentage of the complaints you have received and to which your attention

may have been specially drawn. As the subject of complaint has been brought up in the examination of several of the witnesses I respectfully ask that this letter be made a part of the record.

Yours, faithfully,

PAUL GOTTHEIL,
Chairman of Committee.

I wish also to insert in the record a resolution passed by the board of governors of the Tampa Board of Trade Wednesday, January 22, 1913. The committee had received complaints from the Tampa Board of Trade and it was suggested that the complaints be put in some tangible form. This resolution was prepared, as we understand, after three months of investigation by the traffic expert employed by the Tampa Board of Trade.

The paper above referred to was marked "Exhibit No. 109" and is as follows:

EXHIBIT No. 109.

RESOLUTION PASSED BY THE BOARD OF GOVERNORS OF THE TAMPA BOARD OF TRADE,
WEDNESDAY, JANUARY 22, 1913.

Whereas the Tampa Board of Trade did, on November 1, 1912, engage the services of Mr. C. S. Hoskins, an expert traffic man, and

Whereas after a most thorough investigation of the traffic conditions affecting the port of Tampa, he has compiled this report and presented same to this organization, and

Whereas the Tampa Board of Trade concurs with Mr. Hoskins in the conclusions he has reached, and fully indorse said report: Therefore be it

Resolved, That a certified copy of this report be, and the same is hereby ordered filed with Hon. J. W. Alexander, chairman of the Committee on the Merchant Marine and Fisheries, Washington, D. C.

Passed unanimously by the board of governors of the Tampa Board of Trade, this the 22d day of January, A. D. 1913.

F. C. BOWYER, *President.*

Attest:

W. B. POWELL, *Secretary.*

IN BE HOUSE RESOLUTION 587.

TAMPA, FLA., January 21, 1913.

Hon. F. C. BOWYER,

President Tampa Board of Trade, Tampa, Fla.

DEAR SIR: In pursuance of House Resolution 587 introduced and passed at the Sixty-second Congress, second session, "Empowering and directing the Committee on the Merchant Marine and Fisheries to investigate the methods and practices of various ship lines engaged in general transportation and their connection with railroad lines and other common carriers and so forth," to the aid and support of which investigation the Tampa Board of Trade, a corporation duly chartered under the laws of the State of Florida, is by formal resolution pledged, and addressing ourselves particularly to the suggestions contained in a communication from Hon. J. W. Alexander, chairman of that committee, that we prepare memoranda pertaining to (1) the relationship to one another and to the railroads of the several steamship lines operating to and from Tampa, (2) the rates charged by these lines, and (3) an explanation of such methods and practices of the ship lines as we may deem important to present, the following is respectfully submitted:

SERVICE.

There are now engaged in service at the port of Tampa—

(a) The Mallory Steamship Co., freight and passenger, plying regularly between New York, N. Y., Key West, Fla., Tampa, Fla., and Mobile, Ala., in order named southbound, reverse order northbound, one sailing weekly in each direction.

(b) The Southern Steamship Co., freight only, plying between Philadelphia, Pa., and Charleston, S. C., Jacksonville, Fla., and Tampa, Fla.; schedule irregular both as to the several southern ports of call and number of sailings, averaging at Tampa two sailings a month; this service has been recently augmented by the establishment of a line to Port Arthur, Tex., calling southbound only at Tampa, and between the two lines it is expected to provide about three sailings a month into Tampa, although the northbound service will not be increased because of the ships sailing direct from Port Arthur with full cargo for Philadelphia.

(c) The Gulf & Southern Steamship Co., freight and passengers, plying regularly to and from New Orleans, La., one sailing a week in and out.

(d) The Peninsular & Occidental Steamship Co., freight and passengers and United States mail, plying regularly between Port Tampa (distant 10 miles by rail from the city of Tampa), Key West, Fla., and Habana, Cuba; two sailings weekly in and out.

(e) Various small lines plying local waters as common carriers of freight and passengers.

RELATIONS BETWEEN SHIP LINES.

Of the several coastwise lines now established at this port, the Mallory Steamship Co., whose headquarters are in the city of New York, was the first to enter. The Mallory Steamship Co. is one of the group of "Atlantic, Gulf & West Indies Steamship Lines," a consolidation born of the collapse and dissolution of the "Morse" holdings some few years back. The Clyde Steamship Co., another member of this group, operating between New York, N. Y. (freight and passengers), and Boston, Mass. (freight only), and Charleston, S. C., and Jacksonville, Fla., with freight service also between New York, N. Y., and Brunswick, Ga., and between Philadelphia, Pa., and Norfolk, Va., while not directly serving the port of Tampa, has such intimate bearing as a competitive factor that it must be considered in any study of the shipping interests of this port, especially in view of its relationship to the Mallory Line.

The Southern Steamship Co., originally an independent concern, has now also been taken over by the Atlantic, Gulf & West Indies Steamship Lines, although its management continues in Philadelphia.

The Gulf & Southern Steamship Co. is owned by private interests identified with the Mallory Line, and needless to say, is dominated by the policy which governs the latter.

We have thus in practical effect a monopoly of the coastwise shipping interests of this port, for we receive, and we may expect only such service from the Southern Steamship Co. and the Gulf & Southern Steamship Co. as shall be dictated by the heads of the Mallory Line.

The Peninsular & Occidental Steamship Co. has no connection with any of the other steamship lines centering at this port.

EFFECT OF SAID RELATIONS BETWEEN SHIP LINES.

When the Mallory Line came into Tampa, the Clyde Line had for many years previously been established at the port of Jacksonville, operating in connection with the railroads leading from that port under a perfected system of through rate arrangements that enabled the issuance of through bills of lading and a free interchange of freight traffic. The volume of business done under such favorable conditions enabled the Clyde Line to render efficient service and to adjust its rates from time to time to a scale that its port traffic alone probably could not or would not have sustained. The railroad connections of the Clyde Line at Jacksonville include the Atlantic Coast Line Railroad and the Seaboard Air Line Railway, the two trunk lines serving the port of Tampa. But here at Tampa there is not now, nor has there ever been, any recognized interchange of freight traffic between the Mallory Line and either one of the railroads. Any one desiring to ship over the Mallory Line to a point on the railroad in Florida is required to take out a second bill of lading at Tampa as for a strictly local movement, subject to intrastate tariff; and to pay the cost of transfer from Mallory Line docks to the depot of the rail line. Vice versa, any one desiring to ship from a point on a railroad via Tampa and Mallory Line is compelled to bill locally to Tampa, there transfer their freight and take out a new bill of

loading with the Mallory Line. Separate settlement of freight charges must be made with the railroad and with the Mallory Line and additional arrangements made for the transfer.

The obstacles thus opposed to through freight shipment via Tampa rail-and-water naturally result in diversion of the business to Jacksonville or other ports where there is in effect a proper working arrangement between the railroad and the water line, thereby overcoming Tampa's geographical advantage of location even where the combination of existing locals via Tampa is less than the through rate via such other ports.

It is to the interest of the railroads to foster the route via Jacksonville or more northerly ports, thereby securing a longer haul and a proportionately higher rate or division of the through rate, and it is safe to say that but for the positive influence of the Clyde Line in working with the railroads to this end the present negative policy of the Mallory Line would be abandoned, and they would enter upon a vigorous campaign to secure to themselves as an independent carrier as favorable connection and working arrangements with the railroads at Tampa as exist between the same railroads and the Clyde Line and other ship lines at other ports.

RELATIONS BETWEEN SHIP LINES AND RAILROADS.

There is, so far as is known, no control of the ship lines at Tampa by financial interest or ownership on the part of the railroads, but there is undoubtedly the more insidious and as effective control by and through their corelations growing out of the internal adjustments of the ship lines themselves.

Attention has been drawn to the associations of the Mallory Line and the Clyde Line and to the operations of the Clyde Line in connection with Tampa's railroads at Jacksonville. The influence of the Clyde Line extends even further, in that it meets these same two railroads, the Atlantic Coast Line Railroad and the Seaboard Air Line Railway again at Norfolk, Va., where it is an important connection for the through transportation of freight under joint tariffs of rates between Philadelphia, Pa., and tributary territory and all points south, southeast, and southwest. These affiliations form a valuable assets of the Clyde Line, and are not to be jeopardized by any untoward act or undue agitation in any direction objectionable to the railroads. The earnings directly derived by the Clyde Line from such copartnership with the railroads inure finally to the benefit of the joint ownership of the Clyde Line and the Mallory Line. What the Clyde Line may not venture, the Mallory Line dare not. The act of the one is in effect the act of the other. The forbearance of the Mallory Line from engaging in any controversy with the railroads at Tampa over what they might as an independent carrier regard as their rights, and what the people of Tampa and Tampa section do insist upon as their (the people's) rights, is to the railroads the silent interference of a "friendly connection," and to the Clyde Line the "price of peace" at its ports with these same railroads.

We have gone outside the port of Tampa to find another ship line exerting its influence over the ship lines serving the port of Tampa. We may go outside the port of Tampa to seek other railroads acting upon outside ship lines in such manner as to bear upon the port of Tampa to its detriment in the extension of its water service. The same Clyde Line is discovered as a connection of the Southern Railway at Norfolk, Va., at Charleston, S. C., and at Brunswick, Ga., not especially for Florida traffic, but therein lies the difficulty of reaching that combination as a direct element in the Tampa situation. The Southern Railway proper approaches Tampa no nearer than Jesup, Ga., with trackage rights over the Atlantic Coast Line Railroad into Jacksonville, Fla. It, too, however, has its family alliance in the Georgia, Southern & Florida Railway, extending from Macon, Ga., where it joins the parent line south to Jacksonville and to Palatka, Fla., touching in its course numerous junctional points at which physical connection is made with the Atlantic Coast Line Railroad and the Seaboard Air Line Railway for Florida territory. The Mobile & Ohio Railroad and that group of lines known as the "Queen & Crescent Route," comprising the Cincinnati, New Orleans & Texas Pacific Railway, Alabama Great Southern Railroad, New Orleans & Northeastern Railroad, Alabama & Vicksburg Railway, and Vicksburg, Shreveport & Pacific Railway, are also of the Southern Railway system, which thus extends from within the State of Florida clear to the Ohio River on the north and to the Mississippi River on the west.

RELATIONS BETWEEN RAILROADS.

As a preliminary to a discussion of the effect of the relations between ship lines and railroads we must first conceive something of the relations between the railroads themselves, as we have of the ship lines.

The Atlantic Coast Line Railroad and the Seaboard Air Line Railway operate directly from Tampa, with many branches extending far into the interior of the State of Florida, while the Southern Railway is dependent upon them directly or through its affiliated lines for its share of Florida traffic.

The Florida lines are naturally jealous each of its long haul, except where more direct competitive service impels the routing of its traffic short of its extreme junctions for the territory to be reached.

We thus see the Atlantic Coast Line Railroad and Seaboard Air Line Railway prorating with the Georgia Southern & Florida Railway and the Southern Railway via short-haul junctions, as Hampton, Jasper, Jacksonville, and Lake City, Fla., Cordele, Everett, Jesup, Savannah, Tifton, and Valdosta, Ga., so that the Southern Railway is a distinct factor in the State of Florida.

Again, we find the Louisville & Nashville Railroad, a close ally of the Atlantic Coast Line Railroad, connecting with the latter at Montgomery, Ala., its long-haul junction for the north and west, forming a community of interests that links up its network of Florida lines with the gateways of the Ohio and Mississippi Rivers. The Louisville & Nashville Railroad is in itself a Florida line, its rails extending laterally through west Florida to a connection with the terminus of the Seaboard Air Line Railway at River Junction.

Here, too, at Montgomery, Ala., the Mobile & Ohio Railroad, of Southern Railway interest, joins both the Atlantic Coast Line Railroad and Seaboard Air Line Railway, a mutually "preferred" connection because of the long-haul route.

The specification herein of certain railroads and omission of many others of apparent equal importance in the transportation scheme of Tampa and tributary territory has its significance in the fact that these certain railroads have peculiar bearing upon the shipping interests of the port, as will be indicated under the following head:

EFFECT OF SAID RELATIONS BETWEEN SHIP LINES AND RAILROADS.

It may be stated as a general proposition almost, but for the purpose of this argument confining its application to the Tampa situation, that the relations as between the ship lines, the relations as between the railroads, and the relations as between the ship lines and the railroads are all so intricately interwoven that it is difficult to trace accurately from a condition of transportation affairs existing to the influences combined to produce that condition.

The ship lines as at present established open communication by water between Tampa, Fla., and the several following-named ports: New York, N. Y., Philadelphia, Pa., Charleston, S. C., Jacksonville, Fla., Key West, Fla., Mobile, Ala., New Orleans, La., Port Arthur, Tex., and Habana, Cuba.

Actual trade conditions depend practically upon the service offered from and to New York, N. Y., Philadelphia, Pa., Mobile, Ala., New Orleans, La., and Habana, Cuba.

The full benefit of the service can only be enjoyed, however, when employed additionally as a means of communication with all territory contiguous to or which may be advantageously reached through the several ports.

Habana, Cuba, alone may be excepted, as the business done there is strictly local.

From the east the Mallory Line, after strong pressure brought to bear, on October 1, 1912, issued a tariff (their I. C. C. No. 197) providing a full line of rates via the port of New York, N. Y., from Baltimore, Md., Philadelphia, Pa., Boston, Mass., and Providence, R. I., and interior points in the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont to Tampa, Fla., proper.

It is interesting to note in this tariff the distinction in the designation of these rates as "joint" rates and "through" rates. They are "joint" rates where they apply in conjunction with those lines who have signified their concurrence in form required by the Interstate Commerce Commission; they are "through"

rates where they apply in connection with those lines which have withheld their concurrence, but whose "lawful charges from points of origin to the port of New York, N. Y., including lighterage or transfer charges to its piers at said port," are absorbed by the Mallory Line. Whether they be "joint" rates or "through" rates makes no difference to the shipper; the term simply defines their legal status. Attention is directed to this feature for the purpose of exhibiting the liberal policy of the Interstate Commerce Commission in the construction and application of tariffs under the act to regulate commerce, so that it may not be said the ship lines have no present means of overcoming the opposition of the rail lines to water-and-rail carriage or short-haul transportation to ports of connection with ship lines with whom they have no desire to participate. This expedient has its limitations, of course, in the measure of the "lawful rate" of the rail line which the ship line is required to absorb in its "through" rate thus established.

Such is the extent of the through-rate situation involving the ship lines serving the port of Tampa, and it must be said in passing that even this much was accomplished largely by action of the merchants of the city of Tampa in withdrawing from the Mallory Line a large volume of business and diverting it to other lines not affiliated with the Mallory Line. This involved some loss to the trade, but a distinct loss to the Mallory Line, which they made haste to retrieve by the publication of their tariff referred to.

Anything in the nature of reprisal is unpleasant, however, costly, and not conducive to those relations which should exist between shipper and carrier and which we would rather seek to establish and maintain.

We have dwelt somewhat impressively upon the eastern situation, but only to develop more readily and in their natural sequence those conditions which bind together the transportation interests affecting the port of Tampa, ship line with ship line, railroad with railroad, ship line with railroad; to show wherein they have common cause; wherein their interests lie apart; wherein the inferior interests of the one are subordinated to the superior interests of the other; the principal transportation interest always predominating, regardless of the welfare of the community, this city of Tampa, with its port and all of its surrounding territory.

We find Tampa localized as to eastern traffic because of the standing relations of the Clyde Line, Atlantic Coast Line Railroad, and Seaboard Air Line Railway at Jacksonville, Fla., and at Norfolk, Va.

We find Tampa with a local ship service only to and from Mobile, Ala., because of the relations of the Atlantic Coast Line Railroad, Seaboard Air Line Railway, Louisville & Nashville Railroad, Southern Railway, and Mobile & Ohio Railroad, supported by the influence of the Clyde Line, reciprocal of its relations with these railroads, either directly or indirectly, at the Virginia and South Atlantic ports.

We find Tampa with a local ship service only to and from New Orleans, La., because of the relations of the Atlantic Coast Line Railroad, Seaboard Air Line Railway, Louisville & Nashville Railroad, and New Orleans & North Eastern Railroad of southern railway interest, supported by the influence of the Clyde Line, reciprocal of its relations with these railroads, either directly or indirectly, at the Virginia and South Atlantic ports.

Both Mobile, Ala., and New Orleans, La., are natural gateways between Tampa, Fla., and the west, as attested by the volume of traffic moved through these channels in former years.

The facilities are at hand to-day, and with a vastly increased tonnage in sight all that is needed to revive the route on a scale such as never known before is the removal of the restraints placed upon the ship lines by the combination of which they are themselves an integral part.

That a combination of the ship lines does exist affecting all business east and west is fact patent; that it is in league with the railroads equally true; that it operates to present disadvantage, has hindered past, and menaces future development of the city and port of Tampa is an inevitable consequence.

Respectfully,

C. S. HOSKINS,
Traffic Manager.

STATEMENT SHOWING HOW FAR NORTH AND EAST WITHIN THE STATE OF FLORIDA THE TAMPA MERCHANT MAY COMPETE ON EQUAL TERMS WITH JACKSONVILLE IN THE DISTRIBUTION OF MERCHANDISE TRAFFIC BROUGHT BY WATER FROM THE EAST UNDER PRESENT RATE CONDITIONS.

Inbound freight cost.

[Class rates from New York, N. Y., Boston, Mass., Providence, R. I., Philadelphia, Pa. and Baltimore, Md.]

To—	In cents per 100 pounds.					
	1	2	3	4	5	6
Tampa, Fla.....	95	80	65	55	45	40
Jacksonville, Fla.....	67	57	47	33	26	20
Differences in favor of Jacksonville necessary for Tampa to overcome in reshipping.....	28	23	18	22	19	20

Outbound freight cost.

Stations in geographical order.	Miles from Tampa.	Miles from Jacksonville.	Rates from—	In cents per 100 pounds.						Tampa meets Jacksonville on classes.
				1	2	3	4	5	6	
Atlantic Coast Line R. R., Jacksonville to Tampa line: Campbell's.....	70.6	170.0	Jacksonville	74	67	60	50	42	37	None.
			Tampa.....	52	50	43	36	32	25	
			Difference.....	22	17	17	14	10	12	
Loughman.....	63.5	177.1	Jacksonville	76	68	61	53	43	38	1-3.
			Tampa.....	48	46	41	34	30	24	
			Difference.....	28	22	20	19	13	14	
Davenport.....	58.4	182.2	Jacksonville	77	69	63	54	44	39	1-2-3-4.
Haines City.....	53.6	187.0	Tampa.....	44	42	38	32	29	23	
			Difference.....	33	27	25	22	15	16	
Bartow Junction.....	46.9	193.7	Jacksonville	78	70	64	55	45	40	1-2-3-4-5-6.
Auburndale.....	42.6	198.0	Tampa.....	40	38	35	30	25	20	
			Difference.....	38	32	29	25	20	20	
Atlantic Coast Line R. R., Live Oak to Lakeland line: Croom.....	75.0	172.0	Jacksonville	74	67	60	50	42	37	None.
			Tampa.....	52	50	43	36	32	25	
			Difference.....	22	17	17	14	10	12	
Rital.....	70.2	176.9	Jacksonville	74	67	60	50	42	37	3.
			Tampa.....	48	46	41	34	30	24	
			Difference.....	26	21	19	16	12	13	
Trilby.....	66.0	181.0	Jacksonville	77	69	63	54	44	39	1-2-3.
			Tampa.....	48	46	41	34	30	24	
			Difference.....	29	23	22	20	14	15	
Dade City.....	59.5	187.5	Jacksonville	77	69	63	54	44	39	1-2-3-4-5.
Collins.....	58.0	189.0	Tampa.....	40	38	35	30	25	20	
			Difference.....	37	31	28	24	19	19	
Ellerslie.....	55.0	192.0	Jacksonville	78	70	64	55	45	40	1-2-3-4-5-6.
Richland.....	52.8	194.2	Tampa.....	40	38	35	30	25	20	
Lumberton.....	52.0	195.0	Difference.....	38	32	29	25	20	20	
Millards.....	47.0	200.0	Jacksonville	68	62	57	45	38	33	None.
Seaboard Air Line Ry., Jacksonville to Tampa line: Edenfield.....	71.5	140.0	Tampa.....	52	50	43	36	32	25	
			Difference.....	16	12	14	9	6	8	
Bushnell.....	69.5	142.0	Jacksonville	70	63	59	47	39	35	3.
St. Catherine.....	65.6	145.9	Tampa.....	48	46	41	34	30	24	
Terrell.....	61.4	150.1	Difference.....	22	17	18	13	9	11	
Kalon.....	57.5	154.0	Jacksonville	72	65	59	49	41	36	1-2-3.
Lacoochee.....	56.2	156.3	Tampa.....	44	42	38	32	29	23	
Owensboro.....	53.5	158.0	Difference.....	28	23	21	17	12	13	
Crescent.....	52.5	159.0	Jacksonville	74	67	60	50	42	37	1-2-3.
Dade City.....	47.3	164.2	Tampa.....	40	38	35	30	25	20	
Pasadena.....	44.8	166.7	Difference.....	34	29	25	20	17	17	
Greer.....	41.1	170.4	Jacksonville	76	68	61	53	43	38	1-2-3-4.
			Tampa.....	40	38	35	30	25	20	
			Difference.....	36	30	26	23	18	18	
Abbott.....	37.9	173.6	Jacksonville	76	68	61	53	43	38	1-2-3-4-5.
Bramlett.....	35.5	176.0	Tampa.....	36	34	32	27	23	19	
			Difference.....	40	34	29	26	20	19	
Knights.....	26.6	184.9	Jacksonville	77	69	63	54	44	39	1-2-3-4-5-6.
Plant City.....	22.6	188.9	Tampa.....	32	30	28	23	20	18	
			Difference.....	45	39	34	31	24	21	

REMARKS.

The rail distance between Tampa and Jacksonville is 240.6 miles via Atlantic Coast Line Railroad, 211.5 miles via Seaboard Air Line Railway.

The tables show that Jacksonville may reach out over the Atlantic Coast Line Railroad with first-class goods as far as Loughman, 177.1 miles, and Trilby, 181 miles, before running into freight competition with Tampa, whose distance is only 63.5 and 66 miles, respectively. On the Seaboard Air Line Railway Jacksonville gets as far as Crescent, 159 miles, while Tampa can only go as far as Kalon, 57.5 miles.

Taking the average of the six classes it is found that the distributing radius of Jacksonville in direction of Tampa exceeds that of Tampa in direction of Jacksonville by 128 miles on the Atlantic Coast Line Railroad and 112 miles on the Seaboard Air Line Railway.

The classes on which the freight cost is first equalized are indicated by the figures in black-faced type opposite the different points, and to present the case in another way it will be readily seen that the Tampa merchant must cut his profits as against Jacksonville on all business done north and east of those points.

JANUARY 31, 1913.

Comparative statement of rates on merchandise traffic from Ohio and Mississippi River crossings, etc., to Tampa, Fla., all rail and rail and water, and to Jacksonville, Fla., all rail, in cents per 100 pounds.

From—	To Tampa, Fla.												To Jacksonville, Fla. (all rail).					
	Rail and water (note 1).						All rail (note 2).											
	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
Lexington, Ky.....	138	133	118	94	79	64	145	123	109	102	86	73	95	80	75	70	58	46
Cincinnati, Ohio.....	150	125	110	90	75	60	145	123	109	102	86	73	95	80	75	70	58	46
Louisville, Ky.....	147	122	107	88	73	58	145	123	109	102	86	73	95	80	75	70	58	46
Evansville, Ind.....	135	113	100	82	68	54	145	123	109	102	86	73	95	80	75	70	58	46
Cairo, Ill.....	150	125	110	90	75	60	168	142	126	114	96	81	118	99	92	82	68	54
Paducah, Ky.....	135	113	100	82	68	54	122	103	91	85	72	62	72	60	57	53	44	35
St. Louis, Mo.....																		
Nashville, Tenn.....																		

NOTE 1.—Rail-and-water rates to Tampa are figured via Mobile, Ala., and Mallory Line, whose rates are 60-50-45-40-35-25. All shipments have to be re-consigned at Mobile, as no through bills of lading are given, and to the totals shown there must be added cost of drayage (unknown) from rail depot in Mobile on less than carload shipments, and on carload shipments a wharfage and handling charge, varying on some commodities, but generally 2 cents per 100 pounds, plus switching of \$2 per car. The rail rates to New Orleans are the same as to Mobile, but the rates of the Gulf & Southern Steamship Co. from New Orleans to Tampa are at present 10-10-10-10-5-5 higher than those of the Mallory Line from Mobile, so that the New Orleans combination is higher than the Mobile combination.

NOTE 2.—All-rail rates to Tampa are made full combination of the rates shown to Jacksonville, Fla., plus the following arbitraries from Jacksonville to Tampa, viz: 50-43-34-32-28-27.

REMARKS.

The rail-and-water combination is seen to be of little avail as against the all-rail rates to Tampa, especially when the details of reconsignment are considered. Some saving might be had on the lower classes from Cincinnati, Louisville, and Evansville, and through those points from the north and middle west section. There appear opportunities also for reducing the freight cost generally from St. Louis, Paducah, and Cairo, and through those gateways from points west of the Mississippi River.

Freight brought into Tampa all rail from the north and west pays tribute to the Jacksonville route, whether it move through Jacksonville or other north Florida gateways of 50-43-34-32-28-27 cents per 100 pounds on the first six classes respectively, and these figures represent the cut in the profits of the Tampa merchant on every hundred pounds of goods sold anywhere in the State of Florida in competition with Jacksonville.

On grain and grain products alone Tampa enjoys the same all-rail rates as Jacksonville, but there's a reason.

JANUARY 31, 1913.

**TESTIMONY OF MR. ELIJAH WARFIELD, VICE PRESIDENT AND
GENERAL MANAGER OF THE SEABOARD & GULF STEAMSHIP
CO., NEW YORK CITY.**

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your address and your business.

Mr. WARFIELD. 309 Broadway. My business is vice president and general manager of the Seaboard & Gulf Steamship Co.

The CHAIRMAN. When was your company organized, Mr. Warfield?

Mr. WARFIELD. In October, 1910.

The CHAIRMAN. It is a corporation?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Organized under the laws of what State?

Mr. WARFIELD. Delaware.

The CHAIRMAN. What is the capital stock of the company?

Mr. WARFIELD. \$1,000,000.

The CHAIRMAN. Please give the names of the principal officers.

Mr. WARFIELD. Edward S. Hughes, Abilene, Tex., president; E. C. Warfield, New York City, vice president and general manager; F. A. Heitmann, Houston, Tex., vice president; Felix Jackson, Velasco, Tex., secretary and treasurer.

The CHAIRMAN. In what trade was this company organized to engage?

Mr. WARFIELD. In the merchandise trade, generally speaking.

The CHAIRMAN. Between what ports?

Mr. WARFIELD. Between New York and Velasco, Tex.

The CHAIRMAN. Do you also operate from Baltimore?

Mr. WARFIELD. Occasional sailings from Baltimore during the movement of the heavy tonnage of canned goods in the fall of the year.

The CHAIRMAN. Does the company own ships?

Mr. WARFIELD. One ship only.

The CHAIRMAN. Does it charter ships?

Mr. WARFIELD. We have from time to time used chartered ships in addition to the one we own.

The CHAIRMAN. Did you own more than one ship at any time?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Do you have regular sailings between New York City and this Texas port you have named?

Mr. WARFIELD. Fairly regular, with the exception of our inability to make the schedule we had mapped out. With that exception we have had fairly regular sailings.

The CHAIRMAN. Did you encounter any difficulties in the organization of your company, or the conduct of your business, from competitors?

Mr. WARFIELD. We had no difficulties in our organization; so far as the organization of the company is concerned, I mean.

The CHAIRMAN: Have you had any difficulties in the conduct of your business?

Mr. WARFIELD. None other than are usual when a new company starts up in competition with old established lines, that we can directly trace.

The CHAIRMAN. What other line or lines are engaged in that trade?

Mr. WARFIELD. The Morgan Steamship Co., the Mallory Steamship Co., and the Texas City Steamship Co.

The CHAIRMAN. The last two named are subsidiaries of the Atlantic, Gulf & West Indies Co., are they not?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. State whether or not they are all either railroad owned or railroad controlled steamship lines.

Mr. WARFIELD. The Southern Pacific, as we all know, controls the Morgan Steamship Co., or what they call the Morgan Line.

The CHAIRMAN. The Morgan Line is owned by the Southern Pacific?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And the Mallory and the Texas City Lines are subsidiaries of the "Agwi" Lines?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Did you have any difficulty in the purchase of ships or in the chartering of ships?

Mr. WARFIELD. No, sir. I might say we have not attempted to charter any vessels that I had good reason to believe were owned or controlled either by the "Agwi" Lines or the Morgan Line.

The CHAIRMAN. What vessels are those that you did not attempt to charter?

Mr. WARFIELD. As I say, we did not attempt to charter any of the vessels owned by the Morgan Line or the "Agwi" Lines, because I was aware we would not be able to get them at any price.

The CHAIRMAN. In other words, you knew that they would not charter ships to you even if they were lying idle?

Mr. WARFIELD. No, sir; they would not charter us a ship to compete against their own business, naturally.

The CHAIRMAN. Have you experienced any difficulty in chartering ships from others?

Mr. WARFIELD. No, sir; we have not.

The CHAIRMAN. Did you have any difficulty in the matter of insurance?

Mr. WARFIELD. Yes, sir; we have had difficulty in the matter of insurance; that is, the rates we have been compelled to pay were higher than those of the old-established lines.

Mr. WILSON. For the same class of vessel?

Mr. WARFIELD. Not altogether. The type of vessels we have effected insurance on are not regarded as good a marine risk as the Morgan and the "Agwi" ships.

The CHAIRMAN. You mean to say they were not seaworthy?

Mr. WARFIELD. No, sir; they were entirely seaworthy, or they would not have been permitted to go to sea. They passed inspection from every legal standpoint, but the insurance people—

The CHAIRMAN. They made an arbitrary distinction?

Mr. WARFIELD. They have rules of their own that govern that.

The CHAIRMAN. What governs them in making those arbitrary rules? What is the power behind the throne that makes them discriminate against your ship in favor of the Morgan ships and the "Agwi" ships?

Mr. WARFIELD. I feel that they look upon the question as a matter of business, from this standpoint: If, for instance, a large insurance concern in New York took our business at as low a rate comparatively, having due consideration for the class of vessel, it might involve the account of the older lines like the "Agwi" and the Morgan Line.

Mr. HARDY. You mean it might lose that account?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. In other words, they hesitate to give you the rate to which you are entitled, for fear they will lose the business of these other lines?

Mr. WARFIELD. Yes, sir; very much larger than ours.

The CHAIRMAN. In other words, these insurance companies are controlled by this combine?

Mr. WARFIELD. I would not say that, Mr. Chairman. I do say, however, that I think the so-called combine has a tremendous influence on their action.

The CHAIRMAN. And the purpose of the combine in undertaking to control any insurance companies, is to shut out competition like yours with the combine?

Mr. WARFIELD. Most naturally.

Mr. HARDY. What is the difference in your rates and theirs?

Mr. WARFIELD. Our rate is about 50 per cent higher than theirs. I am speaking now of what we regard as cargo insurance.

The CHAIRMAN. Mr. Groves was before the committee yesterday. As you know, he is the general manager of the Philadelphia & Gulf Line. He stated that the insurance companies issue a form of policy called a "floater," but refused to issue that form of policy to him and, as you state, he was compelled to accept insurance at a higher rate, a purely arbitrary difference not based on the seaworthiness of the ship and the nature of the risk, but enforced by the "Agwi" Lines, the Morgan Line, and the subsidiary lines to which I have called your attention. As I understand, you were confronted with the same difficulty in the matter of insurance?

Mr. WARFIELD. We have not attempted to get a floater policy—

The CHAIRMAN. Was it not desirable?

Mr. WARFIELD (continuing). Because we did not regard it desirable, and considered we could save ourselves money by effecting specific insurance on each cargo.

The CHAIRMAN. Was it entirely satisfactory to you to have your ships discriminated against by these insurance companies?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Or require shippers by your line to pay 50 per cent more than if they shipped by the conference lines?

Mr. WARFIELD. No, sir; we were not satisfied with it.

The CHAIRMAN. You had to make up the difference in the freight rate, did you not?

Mr. WARFIELD. We did.

The CHAIRMAN. And that reduced your profits?

Mr. WARFIELD. And in addition to that, in many cases, we had to absorb the difference in the insurance premium rate.

Mr. WILSON. You say your vessels are absolutely seaworthy?

Mr. WARFIELD. Absolutely.

Mr. WILSON. They have to be in order to be permitted to depart. Now, if a vessel is absolutely seaworthy, and all vessels are seaworthy that are permitted to depart, why should there be any distinction whatever, or any difference whatever, in the insurance rate on a steamship or cargo?

Mr. WARFIELD. From the reason that one vessel, although entirely seaworthy and passes the inspection, is not as good a risk as another vessel of more recent construction and stronger in every way.

The CHAIRMAN. Have you built any ships?

Mr. WARFIELD. We have not as yet, sir.

The CHAIRMAN. Have you made any attempt to have ships built?

Mr. WARFIELD. We are just now in process of asking for bids to build.

The CHAIRMAN. Have you had any difficulty in the past in getting bids?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Do you know the relation of the shipyards to these lines?

Mr. WARFIELD. I think they are regarded by the shipyards, that is, the older steamship companies as I may term them, as being of more value to them than a new or smaller concern like our own; and if it comes to a question of taking our order or their order, we would not have much consideration.

The CHAIRMAN. Do you mean to say that their influence with the shipyard is such that the shipyard will decline to receive your bid and build a ship for you if they say, "We do not want this done; we do not want you to build a ship for him?"

Mr. WARFIELD. No, sir.

The CHAIRMAN. What do you mean?

Mr. WARFIELD. I mean that the shipyard would accept our bid, or rather, accept our order, on a bid that would be higher than the same order, I might say, placed with a shipyard by one of the older lines.

The CHAIRMAN. They discriminate in price?

Mr. WARFIELD. That has been our observation.

The CHAIRMAN. When Mr. Groves was before the committee yesterday, he stated that he submitted a bid to all the principal shipyards in this country for the construction of four ships. The party who was going to finance the building of his ships wanted them built at Cramps, and the Cramps yard asked him \$100,000 more than any other yard, and of course the whole thing fell through. Now, as I understand you, they will build a ship for one of those lines in the conference or combine for less money than they will build a ship for you or for Groves?

Mr. WARFIELD. That is my belief.

The CHAIRMAN. And you regard that as very persuasive, that their business is controlled by the conference lines very much like the insurance companies are?

Mr. WARFIELD. Yes, sir; but there is an element of business in that. They are seeking, of course, to get the large orders from the big, or older lines, and I have been told they do not want to jeopardize the business of the older lines by taking on an order from a new line, or a smaller line.

The CHAIRMAN. In other words, they do not encourage shipbuilding unless it is a ship for one of the older lines?

Mr. WARFIELD. No, sir; I would not say that. They will at times want business very much more than they do at other times. In respect to the illustration you referred to of Mr. Groves building four ships, and his claiming the Cramps' bid was \$100,000 more than any other yard, that may be by reason of the Cramps' yards being full at that time, or for a certain number of months, which would require very much more rapid construction if they should take the order and, consequently, a more expensive construction.

The CHAIRMAN. That element was not involved in the proposition submitted by Mr. Groves. They all bid under the same conditions, but of course the party that was to finance his scheme told him they must be built at the Cramps' yard.

Mr. WARFIELD. I made that statement, Mr. Chairman, because of the fact that a few days ago I had a talk with one or two shipyard men, and they said to me that they could take an order, they thought, a few months later at a lower figure than they could take that order now, and turn it out, say, within 10 months, simply because the yard was pretty well filled up, but would be relieved within a period of three or four months.

The CHAIRMAN. But were you and a representative of one of these conference lines to go to the yard simultaneously with your bids, or with your proposition to build a ship, they would discriminate in favor of them as against you because, as you say, they think more of their business than they do of yours?

Mr. WARFIELD. I certainly feel that way.

The CHAIRMAN. Do you know anything about how these yards are controlled? I mean by that, financially.

Mr. WARFIELD. I do not, sir, other than from hearsay, know how they are controlled.

The CHAIRMAN. What is your information?

Mr. WARFIELD. That the Wilmington yard and the Sparrows Point yard are controlled by the Bethlehem Steel Co.; that the New York Shipbuilding Co., of Camden, N. J., is controlled by the Mellen Bank, of Pittsburgh, Mr. Frick and other capitalists there. I do not know that I could say as to the financial ownership of the other yards that would have any bearing on it.

The CHAIRMAN. How many lines on the Atlantic and Gulf coasts do you regard as outside of this combination to which you have referred to—that is, the "Agwi" lines, their subsidiaries, and the Morgan Line?

Mr. WARFIELD. Mr. Chairman, the shipping business on the Atlantic coast, beginning with Eastport, Me., and going as far as the

Texas-Mexico coast line, is controlled as follows: The New England coast by the New Haven interests——

The CHAIRMAN. What do you mean by the "New Haven"—the New York, New Haven & Hartford Railroad?

Mr. WARFIELD. Yes, sir; to New York. They also control an interest or have an ownership in the Merchants & Miners Transportation Co. That takes care of the New England part of the coast. From New York we have the Old Dominion Steamship Co., running to Norfolk, which is owned by several railroads. We have the Ocean Steamship Co. from New York to Savannah, controlled by the Central of Georgia Railroad; then the Southern Pacific steamships, or what we know as the Morgan line, controlled by the Southern Pacific.

The CHAIRMAN. To what ports do they run?

Mr. WARFIELD. They are serving New Orleans and Galveston. The other steamship service on the coast is owned or controlled by the Atlantic, Gulf & West Indies lines, namely, the Clyde, Mallory, Ward, and Porto Rico lines, the Southern Steamship Co. and the Texas City Steamship Co. That leaves only the limited service we are giving outside of that combination. The Philadelphia & Gulf out of Philadelphia and New Orleans, are in the hands of a receiver, and it is rumored they are going to abandon the service if they can get suitable charters for the two ships—the *Mae* and *Evelyn*—and we have been offered those ships for charter. We declined.

The CHAIRMAN. So that if the Philadelphia & Gulf Line is wiped out it will leave your line with one vessel?

Mr. WARFIELD. Yes.

The CHAIRMAN. Running between New York and Velasco, Tex.?

Mr. WARFIELD. Yes.

The CHAIRMAN. Since you began to operate your line, have you encountered any obstructions from these lines, other than you have mentioned—the discrimination against you in the matter of insurance or of building ships? Is there any difficulty in the way of terminals?

Mr. WARFIELD. Yes, sir; we have not been able to get suitable terminals in New York, and are using Pier No. 9, North River, at this time, at the pleasure of the New Haven Railroad—or, I should say, the New England Steamship Co.

The CHAIRMAN. Which is owned by the New Haven interests?

Mr. WARFIELD. As I understand, yes. They have treated us very nicely with respect to that pier, and it was the only one we could get that was at all suitable for our business at anything like a reasonable figure.

The CHAIRMAN. Your line is not engaged in the same trade as theirs?

Mr. WARFIELD. No, sir.

The CHAIRMAN. They trade north from New York and you trade south?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Have you encountered any difficulty with the railroads in the exchange of freight?

Mr. WARFIELD. No, sir; we have not. We have had practically the same understanding or the same relations with the railroads serving New York as respects credits in the exchange of freights, and as far

as I know we enjoy the same rates and arrangements as are given the older steamship lines. The only special set of rates, or arbitraries, that are in existence now to New York, on what we term coastwise business, are those of the New England lines, and upon application they granted us those arbitraries. They have been established for a good many years and operate over the Morgan, Mallory, Ward, American-Hawaiian, Old Dominion, and Savannah lines; and, in fact, all the steamship lines having any regular service out of New York.

The CHAIRMAN. Are you a member of the Southwestern Tariff Committee?

Mr. WARFIELD. We are not, sir.

The CHAIRMAN. Have you been since you began to operate your line?

Mr. WARFIELD. We have not.

The CHAIRMAN. Do you know anything about the workings of that committee?

Mr. WARFIELD. Yes, sir; I was a member of that bureau for a good many years.

The CHAIRMAN. Give the committee some accurate information about it. We have had information, but wish accurate information, as far as we can get it.

Mr. WARFIELD. Do you mean as to the method employed by them in conducting their meetings?

The CHAIRMAN. Yes; what they do; the purpose of the organization, and so forth.

Mr. WARFIELD. The Southwestern Tariff Committee is an organization, or at least was up to about two years ago, established for the purpose of printing tariffs economically and affording an opportunity for conferences among the officers of the various railroads and steamship companies interested in the traffic to and from Texas, Oklahoma, Arkansas, and Louisiana. They have conferences at fixed periods during the year, whenever they have a sufficient number of subjects to warrant the officials getting together. It is their custom in fixing rates to discuss anything, from every standpoint: to determine what effect, be it an advance or a reduction, it will have on the business as a whole. The method of fixing the rates is for some one line to announce their intention of establishing that rate on a certain date, having due regard for the rulings of the Interstate Commerce Commission, and if there is no objection made to such announcement the chairman of the committee proceeds to publish the rate.

The CHAIRMAN. What would be the effect of an objection?

Mr. WARFIELD. The effect would be, in the majority of cases, that the rate would not be changed.

Mr. HARDY. Is it not a fact that these conference lines only give notice of their intended change after the conference has talked over the situation?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. And have about reached a conclusion that such a change ought to be made?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Having in that way practically reached a conclusion, one man injects the change and the others leave it without objection?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. So they have a roundabout way of talking the matter over and reaching a conclusion and not agreeing, but permitting one man to state that conclusion, and they all negatively assent by not denying it?

Mr. WARFIELD. That is correct, sir.

Mr. HARDY. Whipping the devil around the stump with a good strong vengeance.

The CHAIRMAN. You say the railroads and the steamship lines are parties to the conference. The division of the rates between the railroads and the steamship lines is fixed in the same way, is it not?

Mr. WARFIELD. The division of the rate is fixed, as a rule, by two or three parties to the rate.

The CHAIRMAN. For instance, the steamship lines entering New Orleans would fix that rate, would they not?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And the same would be true as to Texas ports and so on, would it not?

Mr. WARFIELD. The question of division of rates, such as what proportion the steamship company must get from New York to Galveston and what proportion the rail shall get from Galveston to destination, is a matter of conference similar to the fixing of the rate itself. That is because they do not want to have one set of divisions apply via one line and another set via another line. It is disturbing and more or less influential.

The CHAIRMAN. In other words, the rates between the railroad and the conference lines are so adjusted that there will be no discrimination as against the different ship lines in the conference?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. It will not concentrate the freight at New Orleans so as to leave those lines entering Galveston without returns, and so forth?

Mr. WARFIELD. No, sir; that feature of it is not as important as getting the divisions of all the lines via one gateway on the same basis. For instance, the divisions of the rate from New York to Dallas via New Orleans is different, as far as the ship's proportion is concerned, from the line from New York to Dallas via Galveston.

The CHAIRMAN. The sum total of the rate would be the same, would it not?

Mr. WARFIELD. Just the same.

The CHAIRMAN. Whether via New Orleans or via Galveston?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Although if shipped via Galveston there would be a difference of several hundred miles in the water route?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And also in the railroad mileage?

Mr. WARFIELD. That is true.

The CHAIRMAN. What other conferences of a similar nature are held in this trade on the Atlantic coast?

Mr. WARFIELD. There is what is known as the Coastwise Freight Conference, with offices at 291 Broadway, and Mr. Sedgeman is the

agent. The membership of the Coastwise Freight Conference is composed of practically all the steamer lines out of New York engaged in southbound coast business, and one or two railroads. I am not absolutely familiar with that at this time, because I have not been a member for a little more than two years, and there may have been some changes in the membership.

The CHAIRMAN. Do they fix the rates?

Mr. WARFIELD. Yes, sir; in a manner similar to that I have described by the southwestern tariff committee.

The CHAIRMAN. Do they admit everybody to the conference?

Mr. WARFIELD. They do not. They will not admit me now.

The CHAIRMAN. What is the disadvantage of not being on the inside?

Mr. WARFIELD. The disadvantage is that not to enjoy the same rates as they have fixed by the tariff issued by Mr. Sedgeman would compel an outsider to go to the expense of publishing or printing those tariffs himself; which would be several thousands of dollars as against his share, if it was prorated in the conference, of perhaps less than \$100.

The CHAIRMAN. The tariffs are published at the joint expense of the conference lines, are they?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Whereas, being an independent line, if you should undertake to publish them, it would be at your own expense?

Mr. WARFIELD. Yes, sir. I made application for membership in the Coastwise Freight Conference shortly after I organized the Seaboard & Gulf Steamship Co., agreeing to subscribe to all of their rules and conditions, but was denied membership, they not stating their reasons.

The CHAIRMAN. You have some well defined notion as to why you were not admitted, have you not?

Mr. WARFIELD. My opinion is very clear as to why they refused admittance to the Seaboard & Gulf Steamship Co., and that is that they did not want us to enjoy the same rates as they enjoy.

Mr. HARDY. That is what I wished to get at. Do you get the same proportional division of rates that these conference lines get?

Mr. WARFIELD. Do you refer to the railroads we connect with in Texas?

Mr. HARDY. Yes, I wish to know what rates they did not want you to get the benefit of.

Mr. WARFIELD. The through or interstate rates published from what we term seaboard territory to Texas, Oklahoma, Arkansas, Colorado, and Utah.

Mr. HARDY. I want you to make plain what it is you lose by not being in that conference and enjoying the same rates they do.

Mr. WARFIELD. We lose the benefit of the through rate in not being a member, or unable to join that conference, or else must go to the expense of publishing those tariffs ourselves.

Mr. HARDY. Give us an illustration of how you lose that benefit! Give us a case in point?

Mr. WARFIELD. You have to have an interstate tariff filed to apply on shipments from point of origin to destination. If we were to go to the expense of compiling a tariff applying from eastern seaboard to—

Mr. HARDY (interposing). Say New York to Dallas, is that what you mean?

Mr. WARFIELD. No, sir. Say from Buffalo to Dallas or from Rochester to Dallas or from Albany to Dallas, that is what I mean. If we went to the expense of publishing that tariff, which is in effect by the Morgan and Mallory Lines, as I say it would cost us several thousand dollars a year; perhaps as much as the amount of business involved under that tariff.

Mr. HARDY. Does your not publishing deprive you of the rates? That is what I want to get at.

Mr. WARFIELD. Will you repeat that?

Mr. HARDY. How does your not publishing these through rates deprive you of the benefit of the rates? That is what I wish to find out. How it is that on a commodity shipped from Albany to Dallas by your line, you would not get as much out of it as the Mallory Line, taking the same shipment of the same commodity from Albany to Dallas by way of its line.

Mr. WARFIELD. Let me illustrate. Take for example the coast-wise freight conference, comprising all these lines; they have an agreement with the lines from the southern ports, say Galveston to the interior, to prorate the balance of that through rate on a graded percentage basis. For instance if the rate from Rochester to Dallas is \$1—

The CHAIRMAN (interposing). By rail and water?

Mr. WARFIELD. By rail and water, and the proportion of the arbitrary, as we term it, from Rochester to shipside, New York, is 25 cents. That leaves 75 cents to be divided between the steamer to Galveston and the rail to Dallas. The basis of that division is 45 per cent to the steamer line and 55 per cent to the rail line. Now because we are not members of that conference and have not the privilege of the agreement that membership carries, we would have to pay the 25 cents to New York in the first place, and whatever the rate may be from Galveston to Dallas, and take the remainder as the ship's proportion, which would be far less than 45 per cent of 75 cents.

Mr. HARDY. In other words, you would have to pay local rates from Galveston to the interior?

Mr. WARFIELD. To New York and from Galveston; yes, sir.

Mr. HARDY. And being out of the conference lines the railroad will make no proportional agreement with you as to division of rates?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Yet that is permitted under our interstate commerce law, is it?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. Are you sure you have that right, because I want to understand it. My understanding has been just as you state it, but it seems to me to be wrong, and it seems to me that the independent lines should get the same rates as the conference lines do. According to your statement, as I understand you, you are unable to make such an arrangement.

Mr. WARFIELD. We do get the same rate on the railroad on shipments consigned locally from New York to the Texas port and reconsigned to destination in the interior.

Mr. HARDY. On the through bill you do not get the same rates!

Mr. WARFIELD. No, sir; we do not.

Mr. WILSON. Is that due to the fact that the law requires you to file a division of the through rates and you, being unable to have this printed, or not having it printed, it prevents your having the privilege of the division of the through rate?

Mr. WARFIELD. Yes, sir; if we were permitted to joint the Coastwise Freight Conference all we would have to do would be to file a concurrence with the Interstate Commerce Commission, and then we would enjoy the through rate and the divisions.

Mr. HARDY. What is the reason you can not file that concurrence without publishing it?

Mr. WARFIELD. We have nothing to concur in if the rates are not published applicable our way. They have first got to be published as being applicable via our route, and simultaneously with that we file the concurrence and the question of all other rail arrangements follows as a matter of mere detail.

Mr. HARDY. Then you could get the advantage of these rates by filing a concurrence with those rates and publishing them yourself, could you?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. Would the railroads recognize your right to demand a prorate in accordance with their agreement with these other companies if you, on your own part, should do these acts at your expense—should go to work and publish your agreement?

Mr. WARFIELD. The Texas roads will give us the same divisions that they give the other lines. I am speaking of them generally. There may be some Southern Pacific lines that naturally would not give us a division of their local rate.

Mr. HARDY. Why would they not do that on your action in publishing these rates, and not do it unless you did? Why do the railroads require you to publish it, and what has that to do with it—your publishing these rates? It seems to me it is just a question between you and them, whether they will prorate with you or not.

Mr. WARFIELD. They are willing to prorate with us.

Mr. HARDY. But you say they do not do it?

Mr. WARFIELD. We have not asked them to do it independent of membership in the coastwise conference, because of the expense on us in complying with those conditions. The difference I do not regard justifies the expense of individual publication of those tariffs.

Mr. HARDY. I want to know why, if the railroads will give you the same rate, you have to publish any more than you would if they do not. That does not give you any advantage. Do you still issue through bills of lading?

Mr. WARFIELD. We issue through bills of lading, which are based on the combination of the two local rates.

Mr. HARDY. Why could you not issue through bills of lading based on the combination according to the prorate of the other companies?

Mr. WARFIELD. Because we have not any through rate to prorate.

Mr. HARDY. You manage to get a through rate by combining your rate and the local rate, do you?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. You can find what the proportional rate is that the road charges these other companies, can you not?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. What is the reason you could not get a through rate on that basis, as well as on the local-rate basis?

Mr. WARFIELD. That would entail on their part the publication of a proportional rate to apply on our business, less than their local.

Mr. HARDY. The point seems to be then that they make a publication of the rates via the railroads and certain-named lines, which you are not in on?

Mr. WARFIELD. True.

Mr. HARDY. And the other publication is just local rates?

Mr. WARFIELD. That is true.

Mr. HARDY. And you, not being one of the named lines, there are no published rates as to you?

Mr. WARFIELD. That is correct.

Mr. HARDY. And they refuse to give you the benefit of that pro rate?

Mr. WARFIELD. We have not asked them to.

Mr. HARDY. How do you know they would not give it to you if you do not ask it? Leaving out the question of publication, you would rather have that smaller rate, would you not?

Mr. WARFIELD. I believe it would be irregular for them to do it, and our business has not been of sufficient volume to justify our taking that action. It would be a pretty big thing for us to ask a line friendly to us, like the International & Great Northern Railroad, or the Missouri, Kansas & Texas Railroad, or the Trinity & Brazos Valley Railroad, or the Brownsville branch of the Frisco Railroad, to establish a proportional rate applicable on our business.

Mr. HARDY. If it is applicable on the other business. It would not be special to your line. It is applicable to the other lines, is it not?

Mr. WARFIELD. Its application would not be of any value, because they accept that in their pro rate, so the effect of it would be to be applicable only on our business.

Mr. HARDY. Why not have the law require the railroads to give to every steamer they receive goods from on a through bill of lading, exactly the same through pro rating?

Mr. WARFIELD. I hardly believe, sir, that would be fair, because a steamer might tender that railroad business once or twice a year only.

Mr. HARDY. On the other hand you very readily see they can make such a discrimination as to prevent any line not given that advantage from doing business, can you not?

Mr. WARFIELD. Yes, sir.

Mr. STEPHENS. Is it an interstate commerce requirement that you publish a rate, in order to enjoy the same rate that the conference lines enjoy?

Mr. WARFIELD. They require that we publish a through rate. If it is an interstate commerce movement, on which we can not apply our locals and meet the through rate established by other lines.

Mr. STEPHENS. Therefore, in order to enjoy the same ratio of division as the conference lines when you do not belong to the conference, you are required by the Interstate Commerce Commission to publish the tariffs yourself?

Mr. WARFIELD. Or keep out of the business.

Mr. HARDY. I shall try to study that out. I can not understand it.

The CHAIRMAN. You could not take one of their tariffs and put your name on it and file it with the Interstate Commerce Commission and adopt those rates?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Why could you not do that; take one of their tariffs, put the name of your line on it, file it with the Interstate Commerce Commission, adopt it, and have the benefit of the same rates?

Mr. WARFIELD. Because of the fact that the Interstate Commerce Commission requires concurrency in the exchange between each carrier.

The CHAIRMAN. In other words, they compel you to get into the conference before you can enjoy the rate?

Mr. WARFIELD. Absolutely.

The CHAIRMAN. Then the effect of the law is to encourage, promote, and foster these combinations, is it not?

Mr. WARFIELD. It certainly has the earmarks of working out that way.

Mr. HARDY. Not only that, but it seems to have the effect of also excluding you from concurring if the railroads and the conference lines reject you.

Mr. WARFIELD. Yes, sir.

Mr. HARDY. In other words, the law recognizes their right to reject you?

Mr. WARFIELD. Absolutely.

Mr. HARDY. And you can not concur if they refuse to agree with you?

Mr. WARFIELD. Absolutely not.

The CHAIRMAN. And it takes unanimous consent on the part of the conference lines to get in?

Mr. WARFIELD. Yes, sir; it does. One objection holds you out.

Mr. STEPHENS. If you were willing to concur in these rates and the conference lines objected, could not the Interstate Commerce Commission force them to give you the rates enjoyed by the conference lines?

Mr. WARFIELD. I think they could.

Mr. STEPHENS. Have you ever asked them to do it?

Mr. WARFIELD. No, sir.

Mr. STEPHENS. There would be entailed upon you, if they did grant your request for that, the publication of the tariffs, which would be at a cost of several thousand dollars?

Mr. WARFIELD. Yes, sir. Perhaps it is both wise and just that I should say our business, up to this time, has not been of sufficient volume to warrant my pushing the question of through rates and divisions. We have handled all of our southbound traffic on a combination of local rates, and in that way we have gotten along pretty well. Just a little bit later, when we anticipate considerable increase in the volume of business, especially southbound, I propose to take that question up and see if I can not do something further with it.

The CHAIRMAN. Mr. Groves also stated he tried to get into the Southwestern Tariff Committee and he could not get in; although the Frisco and the Rock Island Railroads wanted him to come in and were extending to him the glad hand, the Southern Pacific and

other allied interests said no. His experience, as I understand it, is much like yours?

Mr. WARFIELD. They said no, Mr. Chairman, because, had they said yes, it would have given to the Philadelphia & Gulf the privilege of enjoying the same rates and divisions from Philadelphia as these lines enjoyed from New York, with the same relative cost of all of those tariffs in effect.

The CHAIRMAN. And another competitor in the field?

Mr. WARFIELD. And another competitor in the field for the business.

The CHAIRMAN. There was no equity in keeping them out, and so far as the public interest is concerned it was purely selfish, was it not?

Mr. WARFIELD. Absolutely.

The CHAIRMAN. It could not be justified on any principle of public policy, could it?

Mr. WARFIELD. I should say not.

The CHAIRMAN. And if you could have gotten in it would have meant a great deal to Mr. Groves and the people that had invested in his line, and would have contributed very much to the success of his enterprise?

Mr. WARFIELD. I should think so.

Mr. HARDY. I would like to ask you this question. I understood you to say that you did not think it would be fair for the Government to require the railroads to give the same pro rate to all companies, whether in conference or not. I wish to know why it would not be fair. You give a through bill of lading and the Mallory Line gives a through bill of lading from New York to Dallas or Galveston. Why would it not be fair to require the railroads to haul your freight, in carload lots or the same kind of lots, on the same terms as they haul the Mallory Line freight?

Mr. WARFIELD. It would be absolutely fair and they undertake to provide machinery to do that to-day, but that machinery requires the consent of opposing lines.

Mr. HARDY. Do you mean that the law requires the consent of opposing lines before a rate can be applied to a third line?

Mr. WARFIELD. No, sir.

Mr. HARDY. That, for instance, the Mallory Line has to consent that the Houston & Texas Central Railroad should give you the same proportional advantage it does them before the Houston & Texas Central is authorized to do it?

Mr. WARFIELD. No, sir; that is not exactly the same; but in the methods employed in these conferences the Mallory Line in that case could object if it saw fit.

Mr. HARDY. Could object to the railroad giving you the same advantage?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. Under what law do they have a right to object?

Mr. WARFIELD. The law of selfishness.

Mr. HARDY. But I am talking about the law of the land. You say they could object. I want to know why it would not be right for the law to require the railroads to give you the same rates they give a conference line?

Mr. WARFIELD. As I said before, there is machinery to do that to-day.

Mr. HARDY. You have not made it plain to me what the machinery is.

Mr. WARFIELD. The machinery is these traffic organizations.

Mr. HARDY. But that is not legal machinery; that has nothing to do with the law.

Mr. WARFIELD. That, however, Mr. Hardy, is recognized by the Interstate Commerce Commission as the method of establishing these rates under their rulings.

Mr. HARDY. The Interstate Commerce Commission recognizes, then, any line that publishes through rates and will not recognize any that does not publish them? Is that it?

Mr. WARFIELD. Just so.

Mr. HARDY. And as many of them as see proper get together and publish?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. But they can hold a little meeting of their own and keep anybody out of that publication, and you would have to do for yourself what they do together; is that it?

Mr. WARFIELD. Exactly so.

The CHAIRMAN. What do you think of that practice, Mr. Warfield; do you think it should be tolerated by the law?

Mr. WARFIELD. It seems to work fairly satisfactory in most cases, except when it comes to a competitor that is not within the fold.

The CHAIRMAN. Yes; it is intended to work singly in the benefit of those inside, is it not?

Mr. WARFIELD. Yes; and it does.

The CHAIRMAN. And it is intended to insure hard sledding for the fellow on the outside?

Mr. WARFIELD. Yes.

Mr. WILSON. It makes the expense so high that the one outside can not meet the expense; is that not true?

Mr. WARFIELD. That is very largely true; yes. In other words, it is the penalty of engaging in a line of business that has been dominated by a certain number of concerns or companies.

Mr. HARDY. And that penalty is brought about by the terms of the law or under the terms of the law?

Mr. WARFIELD. As construed by the Interstate Commerce Commission.

Mr. HARDY. I think we should have an explanation from the Interstate Commerce Commission along that line.

The CHAIRMAN. We will bring Mr. Prouty in here some day.

Mr. HARDY. I certainly wish to hear from him.

The CHAIRMAN. We will have him here.

Dr. HUEBNER. Are there any of these traffic associations other than the ones to which you have called attention on the Atlantic or Gulf coasts?

Mr. WARFIELD. No, sir; none of which I have any definite knowledge.

The CHAIRMAN. Do you know anything about the Gulf Foreign Freight Committee?

Mr. WARFIELD. Not as to its details.

The CHAIRMAN. Are its methods similar to those of the Southwestern Tariff Committee?

Mr. WARFIELD. I think so; yes, sir.

The CHAIRMAN. Is your line a competitor of these combination lines?

Mr. WARFIELD. Yes, sir; the Morgan Line, the Mallory Line, and the Texas City Lines.

The CHAIRMAN. In what way?

Mr. WARFIELD. We compete for a share of the business to and from Texas.

Mr. HARDY. Do you make any other port except Velasco on the Texas coast?

Mr. WARFIELD. Not at the present time. We did make Port Arthur, Tex., a port of call up to about four months ago. We discontinued it, because there did not seem to be enough inward-bound business to justify a continuance, and it interfered a little bit with the service. Then, coming homeward, we call at ports like Mobile and Pascagoula for full-cargo lots of ties.

The CHAIRMAN. During the course of your business have you met with opposition, by these other lines with which you compete, in the way of rate cutting?

Mr. WARFIELD. Yes, sir; they have reduced their rates in a number of cases where they have found we had a chance to get the business.

The CHAIRMAN. To what extent did they cut the rates and from and to what ports? You might mention the commodities also.

Mr. WARFIELD. One of the most glaring cases was the movement of fireworks, firecrackers, etc., moved for the Christmas trade in the fall of 1911. The established rate by the Morgan and Mallory Lines was 60 cents per 100 pounds. Our established rate on the same commodity was 45 cents per 100 pounds. When they found we were going to handle perhaps one-third of the business they reduced their rates to 45 cents, and having three or four sailings a week against our one sailing a month they carried all the business. Another case was the movement of canned goods this past fall from Baltimore. The established rate of the Morgan and Mallory Lines from Baltimore to Galveston was 25 cents per 100 pounds. Our established rate, or our announced rate, was 20 cents per 100 pounds, and we put two ships into Baltimore for cargo. The first one we loaded and sailed before they disturbed their 25-cent rate. After they heard we were going to have a second sailing they made the rate 15 cents per 100 pounds, Baltimore to Galveston, and carried several cargoes by direct ship.

The CHAIRMAN. Did they have a regular line from Baltimore to Galveston?

Mr. WARFIELD. No, sir.

The CHAIRMAN. They just put those ships in there temporarily, did they?

Mr. WARFIELD. They just put those ships in there.

The CHAIRMAN. You might call them fighting ships to cripple you in that way, might you not?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Was that the line referred to yesterday by Mr. Groves, called the Gulf Line?

Mr. WARFIELD. The announcement of the Gulf Steamship Co. came out just at that time. I had never heard of it before.

The CHAIRMAN. Was Mr. Spence the man that organized that line of fighting ships?

Mr. WARFIELD. I do not know the man's name that did organize it. It was organized within the Southern Pacific family.

The CHAIRMAN. He is a very active man in the family, is he not?

Mr. WARFIELD. Very active indeed, sir.

Mr. WILSON. Were those vessels taken from their regular fleet and put into Baltimore?

Mr. WARFIELD. Yes, sir.

Mr. WILSON. They were not especially chartered for that trade, were they?

Mr. WARFIELD. If they were it was a paper charter. They were vessels that had been in the Morgan Line and are still in the Morgan Line fleet, as far as the Morgan Line is concerned.

The CHAIRMAN. You recognized those ships—that is, this Gulf Line—as organized for the purpose of fighting independent lines and crippling their service, did you not?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. What lines were running from Baltimore to Galveston when you ran in with your line at this 20-cent rate?

Mr. WARFIELD. None whatever; no direct service.

Mr. HARDY. So that seemed to be just reaching out to a port they were not serving, finding you there engaged, and cutting under you?

Mr. WARFIELD. Yes, sir. At the request of the Baltimore packers I arranged with them to handle several cargoes of canned goods at 20 cents, which was the rate the year previously by our line. We had not changed it or disturbed it in any way, and we did not disturb it or make any reduction under 20 cents when they made their rate 15.

Mr. HARDY. You said, I believe, they had had a rate of 25 cents?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. They must have been running some ships from Baltimore, then?

Mr. WARFIELD. No, sir. The 25-cent rate applied in connection with the New York and Baltimore line to New York and the Southern Pacific and Mallory ships, New York to Galveston, under an agreed division.

Mr. HARDY. That was the rate from New York to Galveston, the 25 cents?

Mr. WARFIELD. No, sir.

Mr. HARDY. From Baltimore via New York?

Mr. WARFIELD. The rate from Baltimore via New York.

Mr. HARDY. Then when you went in they sent some ships direct from Baltimore to Galveston?

Mr. WARFIELD. Yes.

Mr. HARDY. Before that they had been sending their ships from Baltimore via New York to Galveston, as I understand it, and after you went in they sent their ships from Baltimore direct to Galveston. Is that right?

Mr. WARFIELD. After we went in and they reduced their rate from 25 to 15 cents, they put on direct ships from Baltimore to Galveston.

Mr. HARDY. But before that they had gone via New York?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. What protection is there to the independent line or the weekly line against a combination like this, where there is no minimum rate established by law?

Mr. WARFIELD. There is no protection whatever, sir. It is a question of the survival of the fittest.

The CHAIRMAN. Would you concur in the suggestion of Mr. Groves yesterday that the law in our coastwise business should provide a minimum rate as well as a maximum rate?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Why not?

Mr. WARFIELD. For the reason it would not seem to be good business to establish a maximum and a minimum price for any line of goods.

The CHAIRMAN. You would leave the weapon in the hands of the combine to cripple or destroy the independent line?

Mr. WARFIELD. Mr. Chairman, do you refer to that question in connection with some Federal regulation?

The CHAIRMAN. Yes. That is one weapon used now by the railroads to nullify whatever benefit to the people might accrue by virtue of water transportation to make so low a rate from competitive points on the coast that the water line can not live. They recoup their loss, however, by increased rates on the interior traffic where there is no competition. In what we called the "Court of Commerce act" we undertook to remedy that to the extent of providing that if the railroads once reduced their rate in competition with the water rate, they should not raise it again, except for reasons other than the competition between the water and the rail carriers having ceased. Now, these lines engage in the coastwise trade, and the more powerful ones are permitted to make a low rate which is nonremunerative so as to drive out the independent competing line, is not that an absolutely effective weapon to shut out all competition, and would or would not it be wise to have legislation to prevent them from doing that? If they make a minimum rate, for instance, a 15-cent rate from Baltimore to Galveston, to compel them to continue that rate unless it is increased for some good and sufficient reason other than the cessation of competition?

Mr. WARFIELD. Oh, I think any regulation of the so-called coastwise trade would of necessity have to observe the main rulings of the Interstate Commerce Commission with respect to all rail traffic. For instance, as you have just said, if a steamer line that had strong backing undertook to drive some competitor out of the field by establishing a low rate between two given points, they ought to be compelled to maintain that until it is changed by some Federal jurisdiction. To that extent I do agree.

Mr. HARDY. Under the law of the survival of the fittest, with the advantage the conference lines have in prorating rates and the backing they have to enable them to underbid you for freight everywhere, your little company is not destined for a long life, is it? How could you expect to survive?

Mr. WARFIELD. We have been running now for two years, and it was predicted when we started we would not be running six months. And, as I said a little while ago, we are arranging to build some new vessels.

Mr. HARDY. How did you manage to get any canned goods from Baltimore when the other companies were shipping 5 cents a hundred less than you?

Mr. WARFIELD. We had made agreements with the various consignees in Texas to haul their business at 20 cents, while the others were charging 25 cents, and a sufficient number of those merchants held by their agreements to give us a fair cargo. They knew if it had not been for us they would have had to pay 5 cents higher.

Mr. HARDY. That is a very equitable construction.

Mr. WARFIELD. Very.

Mr. HARDY. As long as the contract lasted they stayed with it, but would they have made another contract with you for the difference—a future contract?

Mr. WARFIELD. I believe we could go to the majority of the reputable canned goods jobbers or grocers in Texas and make contracts to-day for the movement of their canned goods next fall on that or a relative basis, say 20 cents. Their rate to-day is 25 cents from Baltimore to Galveston.

Mr. HARDY. Have you any contract now to haul from Baltimore to Galveston at those same rates?

Mr. WARFIELD. No, sir.

The CHAIRMAN. They regard it, in a correct light, that these people are undertaking to drive you out?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And as soon as they get you out they will get the higher rate?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And they do not think it is a good policy from their standpoint?

Mr. WARFIELD. That is the basis, Mr. Chairman, of our organization. We have interested with us quite a number of Texas mercantile concerns and others.

The CHAIRMAN. You have been agent for one of these lines—I understand the Mallory Line—and have gone through these rate wars. Give the committee some idea of how they are conducted when they are aimed against independent competing lines.

Mr. WARFIELD. The method of handling competition is one that grows with your experience. As far as the rate wars, I might call them, that we have had between New York and Texas, the most disastrous one we called the Lone Star fight. Perhaps some of you gentlemen remember that. It was in 1900, I think. There were three or four men interested in several steamers that had been wrecked on the coast and repaired, and which had been given the American flag, who put those ships on the route between New York and Galveston after a period of about 10 years, I might say, of peace and harmony in the two routes serving the Texas people, Morgan and Mallory. This new Lone Star Line went on with the announcement that it was going to drive the Mallory Line out of the field; and without going into too much detail, within a few months after their first sailing the rate via the Mallory Line from New York to Galveston and via the Morgan Line from New York to Galveston was made 2 cents a hundred. It lasted for about 14 months, and toward the close of the Spanish War some of these boats in the Lone Star service were sold to the Government, and one or perhaps two of them wrecked. I think

they sold the others to Pacific coast people, and that wound up that affair.

The CHAIRMAN. And of course the rates went back?

Mr. WARFIELD. Of course the rates had to go back to get square. There was peace and harmony for a period of about 10 years more until the Texas City Line started. Now, when a new line starts in a field they do not establish the same rates as the old lines carry, and it becomes a question of how to meet that competition or how much recognition to give that competition. There is a great deal to be said on both sides. As far as we are concerned, we have been operating one steamer a month, and I have practically given it a set of rates that had due recognition of that monthly service, which I thought would bring in enough business to make it pay, irrespective of what the rates were by the Morgan and Mallory Lines or the Texas City Line. They have ignored it in some respects and in others they have not; and I do not know that there is any particular action we could take or that they would take which would bring us together on any basis, except an agreement as to a fixed set of differentials that we might operate under their rates on account of infrequent service. As long as there is no agreement we both have to go at it as best we can; that is, the older lines on the one hand and ours on the other.

The CHAIRMAN. If you would put on more ships or have a weekly service, you could confidently expect trouble to begin?

Mr. WARFIELD. Undoubtedly; and that is one of the reasons we have been a little slow to establish a more frequent service. We wanted to place ourselves in a position where we could maintain ourselves with dignity and a certain amount of safety.

The CHAIRMAN. Yesterday Mr. Groves also referred to the methods employed by the Morgan Line to cripple his service by having employees to get copies of his manifests and in other ways. Did you encounter any such experience as that?

Mr. WARFIELD. No, sir.

The CHAIRMAN. In what way are the amicable or friendly relations between the Morgan Line and what we call the "Agwi" Lines maintained?

Mr. WARFIELD. They have a very clear understanding among themselves as to each other's rights.

The CHAIRMAN. Is there any common ownership of the lines?

Mr. WARFIELD. No, sir; not that I know of.

The CHAIRMAN. Or directors?

Mr. WARFIELD. No, sir.

The CHAIRMAN. Just a friendly understanding?

Mr. WARFIELD. I know while I was associated with the Mallory Line we found it to our interest to observe the rights of the Morgan Line, and they treated us in about the same way, but there was no joint or dual ownership of the vessels.

Mr. HARDY. To what effect was the understanding between you?

Mr. WARFIELD. We did not make any changes in the rates without a conference.

Mr. HARDY. Did you have agreed dates of sailings?

Mr. WARFIELD. Not agreed dates. There were well-known dates, announced beforehand.

Mr. HARDY. Well fixed, so as not to interfere with each other!

Mr. WARFIELD. Yes; they did interfere with each other, inasmuch as we sailed on the same days.

Mr. HARDY. Generally was that the case, or did you generally have different dates?

Mr. WARFIELD. The regular sailings of the Morgan Line are Tuesdays, Thursdays, and Saturdays to Galveston. The regular sailings of the Mallory Line are Wednesdays and Saturdays, with an extra ship on such other dates as might be necessary to take care of the business. That could occur on any day.

Mr. HARDY. In what way is it that they do not fight each other—just simply agreeing on the same rates?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. They do not underbid each other?

Mr. WARFIELD. Oh, no; not for a minute.

Mr. HARDY. Do they ever have joint agencies or other traffic men?

Mr. WARFIELD. No, sir.

Mr. HARDY. There is a little scrimmage, then, to get the business?

Mr. WARFIELD. There is a friendly, legitimate scrap for the business.

Mr. HARDY. Which depends solely on whether the agent for the one company or the other is the more active?

Mr. WARFIELD. Absolutely that. The facilities that each offer and the ships that each have, and all those things—the payment of claims and treatment of competitors—are very, very important.

Mr. HARDY. Even a polite manner is worth something in that business?

Mr. WARFIELD. A great deal, sir; and, most of all, a man who keeps his word.

The CHAIRMAN. In other words, true to the combination; is that correct?

Mr. WARFIELD. I think that is about correct.

The CHAIRMAN. This same amicable arrangement and relationship exists between all these lines in the coastwise trade, does it not?

Mr. WARFIELD. I think it does.

Mr. HARDY. Mr. Warfield, in fixing your rates, do you endeavor to add just a reasonable differential between your rates and the rates of the conference lines, considering the rareness of your sailings?

Mr. WARFIELD. In some cases, yes; but in the main we have fixed our rate on a basis that we regard as fair to ourselves and to our competitors.

Mr. HARDY. Not entirely governed by the differential?

Mr. WARFIELD. No, sir.

Mr. HARDY. At the same time, avoiding any action that would tend to bring down strenuous conduct on their part and put you out of business?

Mr. WARFIELD. No; we have not considered that feature of it because, with the limited service that we have had, had they been in a position to have cleaned us up, I might put it, we would have been cleaned up long ago.

The CHAIRMAN. Their will was good?

Mr. WARFIELD. Very good, indeed.

The CHAIRMAN. To put you out of business?

Mr. WARFIELD. Yes.

Mr. HARDY. What is the trouble with their position: That they would have to lose too much by lowering the rates and your enterprise has not been big enough to justify them in lowering the rates to cut you out?

Mr. WARFIELD. We have been a good deal in the position of the fly on the dog's nose, just bothering them. We have been able to get suitable northbound cargoes that have paid us a fairly good revenue, and for that reason we have carried southbound cargo at practically 50 per cent less than they have carried it.

Mr. HARDY. What does your northbound cargo mainly consist of?

Mr. WARFIELD. Railroad ties, lumber, and sulphur.

Mr. HARDY. All heavy bulk freight?

Mr. WARFIELD. Full-cargo lots; yes.

The CHAIRMAN. Your company controls a railroad in Texas that is developing a lumber industry?

Mr. WARFIELD. No, sir. The Houston & Brazos Valley Railroad which we did control is in the hands of the syndicate that controls that sulphur field at the mouth of the Brazos River. We have in prospect the movement of a vast amount of sulphur, and it is one of the things we anticipated in the organization of our company as giving us homeward cargo indefinitely and in a sufficient quantity to increase our service.

The CHAIRMAN. Do you know whether or not rebates are granted anywhere in the coastwise service?

Mr. WARFIELD. No, sir; I do not believe they are.

The CHAIRMAN. Have they been, say, in the last 5 or 10 years?

Mr. WARFIELD. I should say not within the last 5 years. They used to be.

The CHAIRMAN. The reason I mentioned that I thought Mr. Groves referred to the fact that rebates were granted in the molasses trade. The rate, I think he said, from New Orleans to New York was 80 cents and the shippers were granted a rebate of 30 cents. He put in a lower rate which, of course, nullified the agreement, but he could not get the traffic because the other lines had the shippers bound up in shipping contracts.

Mr. WARFIELD. It may be that a contract was made to carry molasses with a provision that when all the season's shipments were moved by one line under this contract there would be a refund made. That, as I understand it, is similar to an arrangement that covered the movement of coffee to New York and to New Orleans.

The CHAIRMAN. That is from Brazil?

Mr. WARFIELD. Brazilian lines. That required a shipper to use one route or select a number of routes under the conference lines. In other words, if they went outside to move a share of their coffee they did not enjoy the refund.

The CHAIRMAN. That is substantially the same contract that exists in the coffee trade. Did that arrangement exist at the time you were connected with the Mallory Line?

Mr. WARFIELD. No, sir; because we were not interested in the New Orleans business. But I regard it as a fair arrangement, providing the rate fixed is a fair one. The movement of tonnage like molasses involves one or two conditions that you have to take into consideration. It is a low-grade subject and the rate is necessarily low, and you have to make an adjustment on it to enable you to care for it as

your space or your conditions may justify. That is, you may want a thousand barrels on this steamer and the following steamer none and then 1,500 barrels in the third steamer. In other words, you want that class of cargo to fill your vessel when you have available room, so as not to come home light.

Mr. HARDY. Do you know of any deferred rebates of that kind in the coastwise trade now?

Mr. WARFIELD. I do not, and I did not of my own knowledge know of that. I only heard it.

The CHAIRMAN. You spoke about having difficulty in securing terminals in New York. Do you attribute that in any way to the action of these conference lines?

Mr. WARFIELD. No, sir; I do not believe they can control the dock situation in New York.

The CHAIRMAN. How about the railroads? Do they favor the conference lines?

Mr. WARFIELD. I think not.

The CHAIRMAN. To what do you attribute your difficulty, then, in securing dock facilities?

Mr. WARFIELD. To the fact that dock facilities are so limited and the railroads and the old conference lines are willing to pay such high figures for them to get long leases they have gotten all available properties tied up.

The CHAIRMAN. It is directly, in any event, the action of the city authorities in New York?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. They do not provide independent piers?

Mr. WARFIELD. Because they claim they have not the space to give the independent lines; they have not the docks to give them at their disposal.

The CHAIRMAN. With their limited dock facilities, would that justify them in giving these long leases to the railroads? Is it not an effective way and one method of shutting you out the granting to the railroads of a lease on the docks for a term of years, even at a high rate?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Another is for these conference lines to secure leases on all available docks for long terms of years and shut out independent shipping, but of course that is with the consent of the authorities in the city of New York?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. This operates to the injury of the independent lines?

Mr. WARFIELD. And it goes further than that, Mr. Chairman. It operates to a very marked degree against the advancement and increase of the shipping business generally for the port of New York. It is pretty near at a standstill for the reason that it has not adequate terminal facilities to do much more business.

The CHAIRMAN. Because these facilities are now controlled by the railroads and the conference ship lines?

Mr. WARFIELD. Yes, sir; on long leases. The announced intention of the dock department now is to not renew these leases, and as they expire they are going to hold them in reserve so as to provide applicants (and they claim to have 30 odd) with suitable terminal

facilities within the next two or three years—that is, if we do not all starve to death for that want in the meantime.

Mr. HARDY. In fact, if the New York, New Haven & Hartford had been interested in cutting you out of the trade you could not have gotten any dock facilities there at all?

Mr. WARFIELD. At least much inferior to what we have. We might have gotten a location at some less advantageous point; for instance, South Brooklyn.

Mr. HARDY. Where your expenses would have been greater?

Mr. WARFIELD. No, sir; our expenses would have been, if anything, less; but it is almost like putting a ship in Philadelphia to receive New York business.

Mr. HARDY. Your expenses of getting goods to you, of course, is what I meant. You would not have paid so much rent.

Mr. WARFIELD. That is true.

Mr. HARDY. But it would be the difficulty of handling your commodities?

Mr. WARFIELD. It is the expense that is taxed against the vessel because of the fact that the shippers will not deliver the freight unless you pay them for it.

Mr. HARDY. Even if the shippers paid that expense, you would have to estimate it in comparing ultimate costs?

Mr. WARFIELD. Yes, that is true. It comes back as a tax against us.

Mr. HARDY. Against your ability to compete?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. You have explained to the committee how the through rate—water rate and rail rate—is adjusted between the railroads and the water lines. Now, tell the committee whether or not the water lines also maintain the same port-to-port rates?

Mr. WARFIELD. So far as the lines to Galveston are concerned they publish just the same rates, port to port.

The CHAIRMAN. And as far as you have information, that is true from New York to New Orleans and other Southern ports?

Mr. WARFIELD. Yes, sir; all of the old established lines or, as you term them, conference lines, operate on an agreed basis of port-to-port rates.

The CHAIRMAN. Do I do them an injustice when I call them “conference lines?”

Mr. WARFIELD. No, sir.

The CHAIRMAN. Does that hold true, practically, in all the coast-wise trade; that their port-to-port rate is the same?

Mr. WARFIELD. Yes; if you mean that the rates from New York to Charleston, S. C., New York to Savannah, New York to Jacksonville, and New York to Tampa, are all the same—no, sir; that is not correct. But they are all on an agreed scale. For instance, there is a first-class scale of 70 cents, New York to New Orleans; a first-class scale of 75 cents, New York to Galveston; a first-class scale of 70 cents, New York to Mobile, and a first-class scale of 65 cents, New York to Jacksonville.

Mr. HARDY. They are the same to the same ports from New York?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. But differ from different ports?

Mr. WARFIELD. Yes.

The CHAIRMAN. Between any two ports where two different lines operate, the rates are the same?

Mr. WARFIELD. Precisely the same.

Mr. WILSON. Is that the published rate or the actual rate? Do they ever cut the published rates?

Mr. WARFIELD. Not intentionally. They might make a mistake and have to protect it, but there is no intentional diversion from those rates, generally speaking.

The CHAIRMAN. Is it not true that the differential in favor of the water rate is controlled by the railroads, and do they not in effect control the amount of traffic that goes over the water routes?

Mr. WARFIELD. Yes, sir; that is generally true, due to the fact that the railroads control the steamship companies.

The CHAIRMAN. They dominate the situation?

Mr. WARFIELD. Yes.

The CHAIRMAN. Is there much rate cutting from the tariffs as issued by these roads to your line?

Mr. WARFIELD. I think not.

Mr. HARDY. Do you know whether there is any cutting of rates between these companies on cargo lots, where they ship a big quantity—not package rates, but the cargo rates?

Mr. WARFIELD. Yes, sir; there is more or less fluctuation in the cargo rates—straight cargo lots.

Mr. HARDY. There is more or less fluctuation in the cargo rates?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Mr. Warfield, the committee would be very glad to have suggestions from you as to what legislation you regard as necessary or desirable to correct any conditions you regard as bad in the coastwise trade.

Mr. WARFIELD. Do you mean, Mr. Chairman, what legislation I might think would be practicable and at the same time not harmful to the coastwise business itself and the upbuilding of our merchant marine?

The CHAIRMAN. Yes.

Mr. WARFIELD. Well, sir, the conclusion that I have come to is the one of legalized pooling under Federal jurisdiction.

The CHAIRMAN. That is in the coastwise trade?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Why do you think that would be desirable?

Mr. WARFIELD. I think it would be desirable as taking care of the business itself on a fair, equitable rate and, at the same time, to protect the investor in marine equipment.

Mr. HARDY. Do you think it would protect the little man?

Mr. WARFIELD. Yes, sir. If, for instance, there is a certain amount of money invested in vessels operating between any two American ports, it is safe to suppose they would have, under some such arrangement, an equitable and a fair basis of rates in effect; and they could not be so high as to permit outside competition to any great extent, but rates figured out on a basis where it would pay for handling the particular traffic involved and at the same time make some fair return on the money invested. If you get business down to that basis, there is not very much room for somebody else to come in and make trouble for you.

Mr. HARDY. Do you mean you would like to see the Federal Government adopt a rule by which all parties engaged in a certain traffic between New York and New Orleans should pool all their earnings and divide in proportion to the capital invested?

Mr. WARFIELD. No, sir. The arrangement and pooling that I have in mind is similar to the pooling that we have had, and perhaps which has been brought to light in one or two cases in this country; for instance, the old trunk line pool, the interests involved in the particular tonnage agreeing among themselves as to how much, or what percentage of the total, they should carry. That tonnage is fixed at a rate, and the percentages of the tonnage and the rate basis is passed upon by Federal authority as being fair.

Mr. HARDY. That would ultimately involve the Federal Government in exercising the power of granting a license to a new company to go into a line of business, or refusing it if they thought the business was already full up, would it not?

Mr. WARFIELD. Suppose you follow that along. How would you expect a new company or an outside tramp steamer to engage in that particular business, at least very long, with that condition I have just outlined; that is, the rate fixed on a basis only where it will pay to handle the traffic and yield a small profit on the investment?

Mr. WILSON. Have you in mind a situation that will prevent the tramp steamer from getting into the trade?

Mr. WARFIELD. There is not sufficient tonnage at any port, on our Atlantic coast at least, where a tramp steamer could interfere with the kind of business that I have in mind; that is, the entire southbound traffic and at least 90 per cent of the northbound traffic would not be susceptible to tramp service.

Mr. HARDY. Your idea is that the Government should ascertain the volume of trade, see what it ought to be worth to carry it, fix the rate accordingly, and then let anybody carry it who would?

Mr. WARFIELD. No, sir.

Mr. HARDY. How would they limit it then? I do not know that I understand Mr. Warfield's idea of this pooling. If they would not divide the earnings, what would they divide?

Mr. WARFIELD. Divide the tonnage.

The CHAIRMAN. For instance, the Mallory Line and another line between New York and New Orleans enter into an agreement by which they would divide the tonnage on a certain basis between them?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And charge a certain rate?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And if one line should carry an excess of its share of the tonnage, then it would reimburse the other line, and so forth?

Mr. WARFIELD. That is so.

Mr. HARDY. Suppose you got a line like yours that they would not agree to let come in; what about that?

Mr. WARFIELD. They would not have to agree to let him come in. If we engaged in that business, we would have to meet the condition they were operating under, which is, as I have before stated, a fixed revenue that will only pay for the service and a reasonable profit on the equipment. Now, if I could operate at any better ad-

vantage or under less fixed expenses than the other fellow, that would be their misfortune.

The CHAIRMAN. But before you would enter the trade you would know the terms of their agreements, would you not, because they would be on file in the Interstate Commerce Commission, and approved by them?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. And you might determine whether or not it would be profitable for you to enter that trade in competition with the lines in the pool?

Mr. WARFIELD. Not only that, but follow that along a little further. Suppose I succeeded in carrying a share of the business; it would take pro rata from them and it might go to a point where it would be desirable for me to be considered (either by advancing the idea myself, or being approached by them) to become one of the pooling lines, and then fix a new agreement as to the amount of tonnage each should handle. Now, that condition would probably grow out of any such idea as I have mentioned to you as pooling, because the amount of tonnage going to the gulf is increasing very rapidly, and there is a field for more lines.

Mr. HARDY. Would not that result in either a recognized agreement by the parties or a legally fixed maximum rate?

Mr. WARFIELD. It would result in an agreement by the parties without doubt, under Federal control.

Mr. HARDY. After all it would then be the Government fixing the maximum rate, would it not?

Mr. WARFIELD. Yes, sir. The Government would, of course, in its supervision of a pooling arrangement of that kind, have the absolute say as to whether or not the rate that the lines might agree upon is too high.

Mr. HARDY. How about whether or not it is too low?

Mr. WARFIELD. Continuing control of it and finding out. In other words, it would involve a fair statement of facts and a fair demonstration of the facts of your operation.

Mr. HARDY. And in fact it would amount to the Government fixing a maximum and minimum rate?

Mr. WARFIELD. In a sense that would be true.

Mr. HARDY. Of course, by agreement of the parties and through agreement, but the Government would fix it and hold it?

Mr. WARFIELD. Pass on it.

The CHAIRMAN. So that as it affects the railroads, that agreement would operate between competing points; and although the Government might legalize pools and fix the maximum rates which might be charged by the lines in the pool, yet that arrangement would still leave it open to the tramp steamer and the ambitious independent to enter the trade and lower the rates if the rates were sufficiently remunerative to be inviting for them to enter the field?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. In other words, they would have a free hand?

Mr. WARFIELD. Absolutely.

The CHAIRMAN. And the shipper would have the benefit of that competition, would he not?

Mr. WARFIELD. It would not stifle competition in any sense of the word. It would still leave, as I said in the beginning, the tramp

steamer or a new fellow that wanted to engage in that business the opportunity to do it without being forced to the wall by some uncontrolled competition.

The CHAIRMAN. How would it accomplish that purpose? Please explain it.

Mr. WARFIELD. Well, assuming, for the sake of argument, that three men engaged in the steamship business between New York and Savannah, that business was pooled on the basis of one-third to each company, and the rate agreed upon began at 50 cents and went down to 25 cents on the fifth class. After they had operated on that basis for a year some man that owns a steamer puts it in service between New York and Savannah and operates, say, once in two or three weeks, and cutting the rates that these lines had been operating under for this year. If it was found that the tramp steamer or the new fellow could continue in that business it would prove that the business was handled at a rate higher than it should be, or that the equipment of these three lines was relatively of more expensive nature, or something of that sort, than that of the tramp. My idea would be to have demonstrated by that very case what the correct rate should be or what the tonnage could be carried for on a paying basis and still leave some profit for the investor and the outside line, as I might call it. It would demonstrate that fact.

Mr. HARDY. You would have to supplement that supposition or that legislation by some other legislation that would forbid these agreed lines from going out and hiring a fighting ship to underfreight the outsider, would you not?

Mr. WARFIELD. I did not catch that, Mr. Hardy.

Mr. HARDY. Suppose these three men were permitted, without violation of the law, when an outsider cut their rates to go out and charter a vessel and put it in competition with the outsider, announcing its sailings when the outsider was about to sail, as was done in your Baltimore canned goods shipment, ready to take away cargo at a very reduced rate, and they to share in all the losses that might be incurred by that venture between them; if that were permitted, would not that run your outsider off the line?

Mr. WARFIELD. I assume that the Federal supervision would be such as to bring all of those things to light, if, for instance, one of those three men, or all of them, conspired to put on an outside vessel against this other outside fellow.

Mr. HARDY. Do you think, then, that the law would have to be supplemented by a law prohibiting their indulging in this fighting ship program?

Mr. WARFIELD. Absolutely.

Mr. HARDY. So you would make it penal, under Government supervision, for the lines to agree and to conspire together to undercut the outside man?

Mr. WARFIELD. Absolutely. They would have the privilege always of going to the Federal Government and setting forth these conditions brought about by this new competition.

Mr. HARDY. And asking to be allowed to reduce their rates?

Mr. WARFIELD. And asking for relief.

Mr. HARDY. That could only be done, in your view, by permission to reduce rates?

Mr. WARFIELD. Absolutely.

Mr. HARDY. It would apply to all of them, would it not?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. And the public would get the benefit?

Mr. WARFIELD. Yes; so it really does come back to the question that the chairman referred to some time ago, or some one referred to, of maximum and minimum rates to be fixed by the Government.

Mr. HARDY. I think you are the only shipping man who has inclined to the possibility of the Government doing that. They have all said that the tramp would kill them if they were held to the minimum or maximum rate. Is not that your understanding of their position, Mr. Chairman?

The CHAIRMAN. That has been the argument of some of the parties.

Mr. WARFIELD. I should hate to admit I was running steamers and with proper facilities that I could not operate them as cheaply as somebody else could. Now, if you are trying to run an expensive vessel that burns a lot of coal and has a big crew against a fellow that is running an economical ship of very small fuel consumption and a small crew, that is a disability.

Mr. HARDY. Your idea is that if these lines, under the supervision of the Government, fix their rates reasonably, nobody else can come in and do them much harm by underfreighting them, because they are not able to do it?

Mr. WARFIELD. That is the point exactly.

The CHAIRMAN. They will kill themselves?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. But these other men take just the reverse view. If you will look at our hearings, you will see they do so almost unanimously.

Mr. WARFIELD. I am surprised to hear it.

The CHAIRMAN. This discussion heretofore has related largely to the foreign trade.

Mr. WARFIELD. I think that would work out very largely with respect to the foreign trade, because a very big percentage of the marine equipment in the foreign trade is more or less expensive and expensively operated. They go into the passenger business. But, as between the freight steamers, I think it would come back to our idea of the position, very largely.

Mr. HARDY. I am doubtful on that; but I think also some of these same men have said that the big passenger vessels can carry freight cheaper than the freighters, solely because of their advantage in passenger cargo, and that the cheapest freight carriers are the passenger vessels. Is not that so?

The CHAIRMAN. Combination vessels.

Mr. WARFIELD. That would figure out where they had a certain amount of space in the vessel which they could not do anything with except put freight in.

Mr. HARDY. Exactly. Therefore they say a freighter solely can not compete with a passenger vessel.

Mr. WARFIELD. A combination passenger and freight ship that has a good passenger business is a pretty good combination.

Mr. HARDY. They are all combinations, are they not—the big passenger vessels? They all carry high-class freight?

Mr. WARFIELD. Practically all of them are.

Mr. HARDY. Is there any other suggestion you have with reference to regulation except that pooling suggestion?

Mr. WARFIELD. No, sir; I have not considered any other.

Mr. HARDY. There was another suggestion Mr. Groves made and I will ask you what you think of it. His suggestion was a legally fixed differential between railroad transportation and water transportation. For instance, from New York to New Orleans the railroad rate reasonably would be a certain amount, while the all-water rate would be far under that, if there was no combination between the rail and the water route. Now, what do you think of a proposition of making a fixed differential between water transportation and rail transportation from the same points?

Mr. WARFIELD. I do not see what good could come of it from any standpoint. Take New York and New Orleans. There is an all-rail route from New York to New Orleans. I do not recall the exact figure, but I believe it is as much as \$1.20 first class. The all-water rate is 70 cents first class.

Mr. HARDY. If the water-transportation lines are under the control of the railroad organization they can make that differential just what they please, can they not?

Mr. WARFIELD. Yes, sir; if the sole transportation to New Orleans was under—

Mr. HARDY (interposing). A conference line in control of the railroad line?

Mr. WARFIELD. Yes.

Mr. HARDY. They could make the differential what they pleased and by that means make the traffic go either by rail or water, as they saw proper, almost entirely?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. Along the Mississippi River the result of that condition has been that practically the navigation of the Mississippi has ceased, from Memphis down at least, and all the freight is carried by rail. Now, if you had a fixed differential between rail and water transportation, they could not drive that freight off the Mississippi River, could they?

Mr. WARFIELD. Is it not a fact that the rail rate down the Mississippi is about as low or lower than the riverman claims he can carry it for?

Mr. HARDY. That is true, and the rate on cotton from Memphis to New Orleans is 85 cents per bale less than for the same distance in Texas, where it is \$2.75 a bale. But while the railroad rate from Memphis to New Orleans is low, the railroads are enabled to do it by raising the rates on interior points, as they do in our territory, and they kill competition on the river by lowering rates on river points and raising them and recouping themselves on interior points. They killed the business on the Mississippi by that process and it might just as well be a dry river as what it is.

The CHAIRMAN. It is because they are permitted, in making the through rate, to depart from the long and short haul clause.

Mr. WARFIELD. Exactly.

Mr. HARDY. They use their own discretion in charging as much for one-third of the distance, or twice as much, as they do on the long haul over the same line?

The CHAIRMAN. If they were not permitted to discriminate in that way, then the water line would have some chance where the railroad parallels the river.

Mr. HARDY. That Mississippi River situation is a small and simple thing. The Atlantic transportation over the ocean is a bigger thing, but can be managed just the same way if the local hauls to the port of origin and the local hauls from the ports of nearest ultimate destination are also to be fixed by the railroad.

Mr. WARFIELD. Very true; but the Atlantic will always have this safety valve: When they put the rates up pretty high there would be tramp competition and other competition.

Mr. HARDY. Tramp competition, if the shippers are not bound by deferred rebates and a whole lot of conditions that hold them tight in the grasp of the combination?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. So there are a whole lot of other things, and you may have some suggestions to make along this line. Take this deferred rebate. I do not think a company of any size can live on the Atlantic between New York and New Orleans if all the railroads join with the conference lines to put them out of business. Do you think they could?

Mr. WARFIELD. No.

Mr. HARDY. At present the chance of competition is only that small portion in which large cargo freights are engaged, is it not? Real competition with this conference line could not exist under present conditions, could it?

Mr. WARFIELD. I doubt it.

The CHAIRMAN. Do you think there should be some legislation regulating these traffic bureaus?

Mr. WARFIELD. I can hardly see what advantage would grow out of any legislation looking to the better control of the traffic bureaus. They have to meet and discuss their rates and their conditions. It is absolutely essential that they talk those things over.

Mr. HARDY. Your idea, boiled down, is to regulate competition, as I understand it?

Mr. WARFIELD. That is a very good definition.

Mr. HARDY. In other words, through competition, to cut and slash freely, ad libitum, which would ultimately mean monopoly?

Mr. WARFIELD. It would be bound to be monopoly.

Mr. HARDY. And your idea is, if you are going to have competition, you have got to have it under some Government regulation of pooling or something of that sort?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. If you had legalized pooling these traffic bureaus would follow as a natural sequence, would they not?

Mr. WARFIELD. Absolutely.

Mr. HARDY. They would not be supervised, but their results would be supervised?

Mr. WARFIELD. That would be the effect.

The CHAIRMAN. In the absence of legalized pooling do you think these traffic associations ought to be regulated by law?

Mr. WARFIELD. I doubt if they operate in violation of the law to-day, technically speaking.

The CHAIRMAN. I am not speaking about their violating the law now, but whether or not it would be desirable to bring them under some reasonable statute. For instance, under the operation of these bureaus to-day it requires unanimous consent for you to get into an association, does it not?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. Do you regard that as reasonable and fair? Mr. Groves is kept out also, and he wanted to get in.

Mr. WARFIELD. From their standpoint—

The CHAIRMAN (interposing). The public ought to be consulted in this matter; the public welfare, as well as that of the lines directly involved.

Mr. WARFIELD. While I was on the other side of the fence I would not let a new fellow in, like myself, without a trial as to what he was going to do with rates in my territory and how he was going to behave himself in that business. I certainly would not subscribe to bringing a newcomer into a family of that nature without finding out pretty clearly something as to what his intentions were in the way of competition in my own business; and I rather took it, when they declined to admit our company in the Coastwise Freight Conference Committee, that it was done in order to afford them a chance to watch for perhaps a year or two to see what we were going to do.

Mr. THAYER. Then you were on probation?

Mr. WARFIELD. That is a very good expression.

Mr. HARDY. That probation meant to see whether you could live and give them enough trouble to warrant them taking you in?

Mr. WARFIELD. Unless it followed that we would probably die during the probation.

Mr. HARDY. The probation was not for a certificate of character, of good morals, but to determine whether you had the strength to endure and to make it better for them to take you in than fight you?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. It would hardly be a probation. I believe that doctrine applies to one who is let in for a definite time to determine whether or not he is going to be a desirable member of the family, but they do not let you in on trial in the first instance.

Mr. HARDY. As I understand, it is rather a trial of themselves as to whether they would better let you in or keep you out?

Mr. WARFIELD. Yes, sir.

Mr. WILSON. I think I understood you to say that many of the docks in New York City had been leased by the city on long-term leases.

Mr. WARFIELD. Yes, sir.

Mr. WILSON. Principally to railroad corporations, if I understood you.

Mr. WARFIELD. And the steamship lines as well.

Mr. WILSON. Are there any of those docks, leased in that manner, that are allowed to remain idle either all of the time or part of the time, when they might be leased by other shipping concerns?

Mr. WARFIELD. No, sir; not to my knowledge.

Mr. HARDY. They are continuously occupied by the concerns leasing them, are they?

Mr. WARFIELD. Yes, sir.

Mr. HARDY. So that in the event of there being short leases, it would simply result in an opportunity of other concerns to bid for more available docking facilities?

Mr. WARFIELD. That is correct.

The CHAIRMAN. Do you think the water line should discriminate between the larger shipper and the smaller shipper, for instance, give a better rate or a lower rate to the shipper that will contract a certain definite large amount of freight over their line within a stipulated time? Suppose one shipper would contract to ship 100,000 barrels of tar from Savannah to New York; another shipper in that territory would be willing to contract to ship 50,000 barrels, but he is unable to meet the condition and ship 100,000 barrels: Do you think the man who would contract to ship the 100,000 barrels should have a better rate than the one who has not the facilities to ship so much?

Mr. WARFIELD. No, sir; not when it comes to movement via a regular service where they would have to split that 100,000-barrel shipment up into a great many shipments. I do not believe there is any favoritism shown in the kind of an illustration that you have just given us.

The CHAIRMAN. Do you mean that the line would be justified in making that discrimination in favor of a large shipper?

Mr. WARFIELD. I do not think there is any discrimination, Mr. Chairman, in it at all, other than that growing out of full-cargo shipments. The man who has the full-cargo shipments is able to get, in some cases, a better rate on five straight cargoes than a man who has only one, but that is usually handled by the tramp owner.

The CHAIRMAN. But suppose it is a regular line and this commodity is not moved in full-cargo lots, but one man, let us say, is able to contract with the line to furnish 100,000 barrels of tar a year for shipment between two ports and the other man can only agree to ship 50,000 barrels; but in each instance the freight moves in less than cargo lots, is there any equity in giving the one a better rate than the other?

Mr. WARFIELD. No, sir; none whatever.

The CHAIRMAN. It is only when it will move in cargo lots?

Mr. WARFIELD. It is only applicable when it moves in cargo lots, and I do not believe there is any discrimination by the regular lines in moving that sort of cargo.

The CHAIRMAN. In less than cargo lots?

Mr. WARFIELD. In other words, they establish a carload rate of, say 40,000 pounds minimum. Now, anybody that can ship a carload of 40,000 pounds minimum is entitled to that rate. They may have established a carload with a less minimum, say, of 24,000 pounds, and at the rate would be a little higher than the 40,000 pounds minimum. That is the only case where the big fellow has some advantage over the smaller one.

The CHAIRMAN. In less than carload lots?

Mr. WARFIELD. Yes, sir.

The CHAIRMAN. In the absence of legalized pooling, what would you say about the lines in their port-to-port business being required to file their rates with the Interstate Commerce Commission, or with some other similar tribunal, and not be permitted to vary from those rates except upon notice to the commission?

Mr. WARFIELD. I think that would be harmful in a great many cases, and in the majority of the cases would result in a good deal more harm than good.

The CHAIRMAN. Why?

Mr. WARFIELD. Well, it shows to the outside fellow, or to the tramp, or to the schooner man, what your rates are, and if he is looking around for business he will pick up these rate sheets that are public property and he will find that your rate on a certain article that is going to move in good, big lots is so much; that gives him an opportunity to figure out a trip that he can make a profit on. Without that knowledge he would never think anything about it and he could not, perhaps, find out what the rate is on that particular shipment. In that way it would work a hardship to the regular lines.

The CHAIRMAN. You would be helpless to meet that competition?

Mr. STEPHENS. Could you not get that information from the regular published tariff sheets?

Mr. WARFIELD. No, sir. The port-to-port rate published by the regular lines is not a matter of general distribution. They give it to their patrons as a matter of information, but they confine it pretty closely to their patrons.

Mr. WILSON. Do you believe it to be possible to regulate the rates of tramp steamers, or require tramp steamers to charge the same rate as that of the regular lines?

Mr. WARFIELD. No, sir; I do not think that could be done. I do not think anyone would ask to have it done, because then it would tend to stifle competition entirely, regulating them all that way.

The CHAIRMAN. Have you any other suggestions to make to the committee?

Mr. WARFIELD. I do not think of any, Mr. Chairman.

The CHAIRMAN. We are very much obliged to you.

Thereupon, at 4.30 o'clock p. m., the hearing was adjourned until Thursday, February 13, 1913, at 10.30 o'clock a. m.

THURSDAY, FEBRUARY 13, 1913.

The committee met at 10.43 o'clock a. m., the Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Collier, Ayres, Thayer, Burke, Stone, Faison, Greene, Humphrey, Hinds, Porter, and Stephens.

The CHAIRMAN. The committee will come to order, please.

Gentlemen, we received a letter recently from Mr. E. G. Buckland, vice president of the New York, New Haven & Hartford Railroad Co., that he desired to be heard by the committee, and I had a request also of the representatives of the New England Steamship Co. and of the Merchants & Miners Transportation Co. that they would wish to be heard, and I understand that Mr. Buckland is here this morning, and we will hear him and such other representatives of these corporations as wish to be heard.

TESTIMONY OF EDWARD G. BUCKLAND, VICE PRESIDENT NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO. AND NEW ENGLAND STEAMSHIP CO., PIER 14, NORTH RIVER, NEW YORK CITY.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. If you have any statement you wish to make to the committee we would be glad to hear you.

Mr. BUCKLAND. My name is Edward G. Buckland; residence, New Haven, Conn.; occupation, vice president New York, New Haven & Hartford Railroad Co., and vice president of the New England Steamship Co. I am also an officer of some other companies which are not pertinent to this inquiry.

Mr. Chairman, the New York, New Haven & Hartford Railroad Co., for its operated and controlled lines, filed, as requested by this committee, answers to the inquiries which were sent out last autumn; and I requested that, in view of the peculiar conditions obtaining in New England and particularly in view of some statements which have been made, that I might supplement the information contained in those answers by an oral statement to the committee, with the view that the committee should receive all possible light upon the steamship situation in New England, either as the result of the statement which I might make or as a result of answers drawn out after the statement by inquiry from the members of the committee. Since writing that letter, the Commissioner of Corporations, in his letter of submittal to the Department of Commerce and Labor dated December 23, 1912, and contained in the report of the Commissioner of Corporations on Transportation by Water in the United States, part 4, and pages 11 and 12, makes this statement. I quote:

The extensive water traffic between New York City and New England ports is almost completely controlled by a single railroad, the New York, New Haven & Hartford (New Haven system), or by the Eastern Steamship Corporation, in which the New Haven system is at present a considerable stockholder, though claiming to have no voice in the management.

The facts are as gathered by the report of Chief of Engineers of the United States Army for the fiscal year ending June 30, 1911, that the total water traffic, coastwise, into and out of New England ports, which was reported to the War Department, was 32,637,513 short tons. The total water traffic handled during that period by the New Haven system, which includes the lines operated or controlled by it, was less than 2,000,000 tons—to be exact, 1,909,684 tons, as shown by the reports of our traffic departments. This last-named figure shows that the tonnage controlled by the New York, New Haven & Hartford Railroad Co. and its operated lines—I am speaking now of water-hauled traffic—was, during the fiscal year ending June 30, 1911, 5.7 per cent of the total tonnage reported to have been handled on the New England coast by the Chief of Engineers of the United States Army. For the fiscal year ending June 30, 1912, the same report of the Chief of Engineers of the United States Army shows that there were handled between ports in New England, coastwise—you will notice, Mr. Chairman, that I am not including trans-Atlantic traffic—33,560,653 short tons. At that time, or during that

same period, there were handled by lines controlled by the New Haven system 1,956,537 tons, or 5.8 per cent plus, of the total tonnage.

Those, Mr. Chairman, are facts which are capable of demonstration by documentary evidence in the Government departments.

Mr. WILSON. In speaking of 33,000,000 tons in and out of New England ports, does that mean that the tonnage is recorded as going out and also as coming in at some other ports?

Mr. BUCKLAND. Yes; but most of the tonnage out of New England ports goes to other ports than New England, and most of it into New England comes from other ports than New England. It is utterly impossible to differentiate absolutely and find out to what extent there is duplication, but it is practically negligible in this total sum.

Mr. WILSON. In speaking of the 2,000,000 tons, approximately, handled by the New Haven & Hartford interests, does that include 2,000,000 tons out of the particular port at which it is handled or 2,000,000 tons in and out?

Mr. BUCKLAND. In and out—the total amount of tonnage.

The CHAIRMAN. Will you prefer to finish your statement before we ask you questions?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Very well.

Mr. BUCKLAND. The above figures, with a few exceptions, that I have noted, are for the fiscal year June 30, 1911 and 1912. In some cases, the reports of the Chief of Engineers of the United States Army, from which the total tonnage of New England was obtained, showed figures for the calendar years only, but inasmuch as the movement is a steady one, the difference in percentage would be negligible.

As to the figures of the Hartford & New York Transportation Co., which are contained in the detail that I have submitted, the Connecticut River being closed to navigation in the winter, the figures for that company are given for the open seasons of 1911 and 1912.

The CHAIRMAN. What company is that?

Mr. BUCKLAND. The Hartford & New York Transportation is one of the subsidiary companies owned by the New Haven road, as I shall explain a little later, Mr. Chairman.

As to the New Bedford, Marthas Vineyard & Nantucket Steamboat Co., which is another of the subsidiary companies, there are included in the above statement figures for only the last four months of the fiscal year ending June 30, 1911, as tonnage statistics were kept only by our accounting department commencing March 1, 1911. The reports of the Chief of Engineers show that in some four or five cases the total tonnage of various harbors is not shown, in some cases being limited to four or five commodities only, such as coal, lumber, stone, and other raw materials.

As to the Boston Harbor, the reports show coal only, so that there is a vast amount of tonnage handled by water in and out of Boston which could be added to the above totals handled on the New England coast, if figures were available. Such miscellaneous tonnage would reduce the percentage which our tonnage bears to this total, as we have no lines entering the port of Boston.

I simply prefaced my remarks upon this point in order to give you the documentary evidence as to the total tonnage handled upon the New England coast. A little further along in this same report

of the Commissioner of Corporations, on page 24, we find this statement:

The domination of water traffic on Long Island Sound by the New York, New Haven & Hartford Railroad is practically complete.

A little further along in this same report we find that the total carrying capacity of railroad-owned water carriers operating in Long Island Sound is 362,145 tons. I am not now speaking, Mr. Chairman, of the amount of traffic which these boats carry, because that is not available in its segregated form, but the total carrying capacity of railroad-owned vessels other than those belonging to the New York, New Haven & Hartford Railroad Co. is 362,145 tons. The total carrying capacity of all boats owned by the New Haven system, either directly or indirectly, including the New York, Ontario & Western boats, a large number of which are not operated in Long Island Sound, is 262,064 tons. In other words, there is 100,000 tons more carrying capacity operating to-day on Long Island Sound belonging to other railroads than belongs to the New York, New Haven & Hartford Railroad Co.

I refer to the following lines mentioned in the report of the Commissioner of Corporations, and take from this report the carrying capacity, as nearly as I can approximate it from the gross tonnage of the ships when no carrying capacity is given, or using his terms when the capacity is given. In other words, gross tonnage and carrying capacity are not exactly the same, and he sometimes gives the one and sometimes the other, but reducing it all to a common level of carrying capacity, I give these figures, as follows:

Montauk Steamboat Co. (Ltd.) (p. 28), carrying capacity, approximately 7,398 gross tons.

Susquehanna Coal Co. (p. 29), carrying capacity, 15,600 tons.

Hillside Coal & Iron Co., Pennsylvania Coal Co., New York, Susquehanna & Western Coal Co.—all grouped together because they are all owned by the Erie Railroad Co.—34,115 tons.

Philadelphia & Reading Transportation Line (p. 35), 130,670 tons—that is, the Reading coal fleet.

Lehigh Valley Transportation Co. (p. 36), 113,590 tons.

Delaware, Lackawanna & Western Railroad Co.—that is, a fleet—(p. 37), 49,500 tons.

Central Vermont Transportation Co.—the Grand Trunk's fleet—11,272 tons.

Total, 362,145 tons.

As against this the New York, New Haven & Hartford Railroad Co. controls the following:

New England Steamship Co. (p. 20), 150,612 tons.

Hartford & New York Transportation Co., 68,140 tons.

New Bedford, Martha's Vineyard & Nantucket Steamboat Co. (p. 20), 6,348 tons.

New York, Ontario & Western Railroad Co., 36,964 tons.

Total, 262,064 tons.

That shows, as I have said before, an excess carrying capacity of 100,000 tons in steamboats operating in Long Island Sound, owned by railroad companies other than the New York, New Haven & Hartford.

Now, before leaving this subject, I just want to give you one more set of figures.

The total tonnage given from Boston Harbor for coal carried to Boston—bear in mind that Boston exports no coal; the coal all comes into Boston from points outside—is 6,247,373 tons for the fiscal year ending June 30, 1912, according to the report of the Chief of Engineers of the War Department. In other words, in round numbers, six and a quarter million tons. The total tonnage handled by rail by the New York, New Haven & Hartford Railroad Co. into Boston during that time was 250,000 tons. That shows the comparative tonnage of coal handled to Boston: One, six and a quarter millions; the other, a quarter of a million.

I have, Mr. Chairman, so far directed your attention to the statements made by the Commissioner of Corporations, because it seemed to me that they did not contain a complete statement of the situation as it exists in New England, and I have taken care to use documentary evidence in the statements to which I have referred.

Now there is, in addition to the railroad-owned ships carrying coal through Long Island Sound, a very large amount of coal and other coarse commodities carried through Long Island Sound and into Narragansett Bay by so-called tramp lines. Just what the amount is I do not know. My purpose, as I have said, in referring to the 100,000 tons excess was to show that the Commissioner of Corporations had overlooked a rather important field of transportation in Long Island Sound.

Now, to come to the real subject before us, the New York, New Haven & Hartford Railroad Co. owns, directly and indirectly, control of the following-named corporations, operating steamboat lines: The New England Steamship Co.; the Hartford & New York Transportation Co.; the New Bedford, Marthas Vineyard & Nantucket Steamboat Co. It also owns, indirectly, through its lease or through its control of the Maine Central, a small number of steamers operating between Portland, Me., and some of the local ports.

The CHAIRMAN. What is the name of that?

Mr. BUCKLAND. That is the Maine Central Railroad Co.

The CHAIRMAN. The steamers—

Mr. BUCKLAND. The steamers are operated by the Maine Central Railroad Co. The New England Steamship Co. has a capital stock of \$6,000,000, bonds of \$9,000,000, 31 ships, and wharves in New Bedford and Fall River, Mass.; Providence, R. I.; New London, New Haven, and Bridgeport, Conn.; and Newport, R. I. It operates the Fall River Line between New York and Fall River; the New London Line between New York and New London; the Bridgeport Line between New York and Bridgeport; the Providence Line between New York and Providence; the New Bedford Line between New York and New Bedford, Mass.; the Providence-Block Island Line between Providence and Block Island; and the New London-Block Island Line between New London and Block Island. All these are set forth more particularly in the map which is hanging on the wall, entitled "The New York, New Haven & Hartford Railroad Co., operated and controlled lines."

The Hartford & New York Transportation Co. has a capital stock of \$6,703,000—

The CHAIRMAN. You did not say how the New England Steamship Co. is controlled.

Mr. BUCKLAND. Every share of the New England Steamship Co. is owned either directly or indirectly by the New York, New Haven & Hartford Railroad Co. I will get into the operation of these various lines in a moment. I am now confining my attention to their capitalization and property.

The Hartford & New York Transportation Co. has a capital stock of \$6,703,000; bonds, \$200,000; ships, 13; barges, 32; wharves in New York City, 2; 1 in Bridgeport—correct me, Capt. Goodrich, if I am wrong—1 in Hartford, Conn.; 1 in Providence, and several local wharves at points on the Connecticut River where its steamers touch. It operates between New York and Hartford and intermediate Connecticut River points, between New York and Bridgeport, Conn., and between New York and Providence, R. I. Every share of its stock is owned, either directly or indirectly, by the New York, New Haven & Hartford Railroad Co. The New Bedford, Marthas Vineyard & Nantucket Steamboat Co. has a capital stock of \$141,700. It has no bonded indebtedness. Its ships are five in number. It has wharves—I am advised, but can not testify to this absolutely—it has a wharf in New Bedford, and a wharf or wharves in Marthas Vineyard and Nantucket. It is a local line, designed to supply the necessary communication between the islands of Nantucket and Marthas Vineyard on the one hand and the mainland on the other.

Going back to the New England Steamship Co. I desire to recite briefly the circumstances under which these lines came into the control of the New York, New Haven & Hartford Railroad Co. You will observe from the map that the railroads of New England are served generally by the so-called Shore Line, running along the north shore of Long Island Sound and the western shore of Narragansett Bay, and thence to Boston; and by a series of railroads running in a general northerly and southerly direction along the valleys of the rivers watering southern New England.

Prior to the invention of the steamboat what little transportation there was in New England was carried on by freight wagons and stage coaches along substantially these lines which lent themselves, according to the contour of the country, to economical transportation. With the advent of the steamboat in 1807 there almost immediately sprang up steamboat operation between these inland waters of Long Island Sound, because the steamboat could carry more and travel faster than the freight wagon or the horse-drawn coach, which theretofore had been the means of transportation. The result was—and history will bear me out in this—that the transportation between New York and points along the coast, other than steamboat transportation, practically stopped, and that transportation was carried on by the steamboats. So that when the steam locomotive came, along in the latter part of the twenties and early part of the thirties, the field of transportation by steam had already been practically occupied so far as port-to-port traffic was concerned. And the result was that, whether correctly or incorrectly, it was supposed for a long time that the steam railroad could not successfully compete with a steamship line, and as a result the steam railroads were built north and south in New England, reaching to the ports

and feeding the steamship lines, which even at that time had begun to find New York their principal terminal.

So we find that the New York, New Haven & Hartford Railroad Co. was built, I think, in 1834, and that the New Haven Steamboat Co. formed a short route for transportation from Springfield, Mass., and intermediate points to New Haven, and thence by water to New York City. The Bridgeport Steamboat Co. had a similar alliance between Bridgeport and the Housatonic Railroad, which was one of the earliest railroads to be built. In fact, I am advised authoritatively that the mail was originally carried between New York City and Albany via the Bridgeport Steamboat Co. and the Housatonic Railroad prior to the building of the Hudson River Railroad, which is now a part of the great New York Central.

The Norwich & Worcester Railroad, running from Norwich to Worcester, was in a like alliance with the Norwich & New York Transportation Co., and so found its entrance by way of the port of New London to New York City. The New York, Providence & Boston Railroad, running from New London to Providence, and the Boston & Providence Railroad Co., running between those cities which bear its name, found, through the ports of Stonington, Conn., and Providence, R. I., an entry into New York over the Providence & Stonington Steamship Co.'s line, with which they were allied. The Old Colony Steamboat Co., known popularly as the Fall River Line, was built by the Old Colony Railroad Co.—

Mr. GREENE. Oh, no; they were built by the Bay State Steamboat Co.

Mr. BUCKLAND. At any rate, it was allied to the Old Colony Railroad Co. long before the Old Colony had any other railroad alliance, Mr. Greene—

Mr. GREENE. Well, no. There was the Fall River Railroad running from Fall River and Myricks originally, and then the Old Colony Railroad Co., running from Quincy into Boston.

Mr. BUCKLAND. What I am getting at is that the Old Colony got its first entry into New York from the Fall River Line rather than over the rail lines.

Mr. GREENE. That is correct.

Mr. BUCKLAND. The Old Colony system, I may say, was then running generally in a southerly and southwesterly direction from Boston and Fall River, and the New Bedford found its first entry into New York City over the Fall River Line—

Mr. GREENE. No, it was the Bay State Steamboat Co.

Mr. BUCKLAND. Operating over practically the same lines as the Fall River Lines now operate over.

Mr. GREENE. Yes, sir.

Mr. BUCKLAND. My purpose in giving this illustration was to show that up to the time when these rail lines became consolidated each steamboat company was a helper, or feeder, or coadjutor of the rail line. It is a curious fact that the very heavily congested line between New York and New Haven was not built until 14 years after the north and south line between New Haven and Springfield, because of the fear that a railroad company could not compete with a steamboat company. The line between New Haven and New London was not built until 1852, nearly 20 years later than the north and south line, and apparently for that same reason.

Mr. HARDY. Do you mind an interruption right there to ask you the question whether that fear was not well founded, unless some peculiar combination enabled those railroads to compete when they could not actually perform the service as cheaply? In other words, can rail transportation compete with water transportation under natural and normal conditions?

Mr. BUCKLAND. On certain kinds of traffic, yes; and on certain other kinds of traffic, no.

Mr. HARDY. On coarse, crude, stuff, where time is not important. It is impossible for them to do it in normal conditions?

Mr. BUCKLAND. Yes, sir. On the other hand, I do not think any of us would care to go from New York to Boston by steamer line if we wanted to reach there at the very earliest possible time. Neither would we wish to ship high-grade or perishable goods that way that we wished to reach their destination quickly.

Mr. HARDY. So that normally the railroads would take quick transportation and high-grade transportation, and the water would take all the rest?

Mr. BUCKLAND. Normally, unless the local conditions are so peculiar as to preclude that situation. And that is just what I am going to refer to in New England. There is no point on Long Island Sound or Narragansett Bay from which a steamer sailing at night, any time after the close of business from 6 o'clock to 12 o'clock, is not able to reach New York City at its wharf the next morning early. That is the reason why shippers in New England prefer in many instances to ship their high-grade goods by water rather than ship them by rail, because in shipping them by water they have the choice, as I shall show you hereafter, of several terminal deliveries in the lower part of Manhattan Island. They are practically sure to be on the dock ready for their consignees early the following morning, whereas if they are sent by rail there is a possibility that they may be held up in the rail terminals on the north side of the Harlem River, necessitating an additional floatage of cars from these terminals down to the New Haven terminals in the lower part of Manhattan Island before they are ready for delivery. I wish to emphasize the exception to the apparent rule which you were kind enough to draw my attention to in regard to the short distance, overnight hauls on Long Island waters.

Mr. HARDY. Does not that same thing frequently happen with reference to railroad freights when loss of cars, side switching of cars, causes a delay en route that makes their actual transit slower sometimes even than, as some people say, an ox team?

Mr. BUCKLAND. I dare say that once goods are put on board a water line within certain inclosed or not storm-swept areas, they are practically more certain of punctual delivery by water than they are by rail.

Mr. HARDY. Does not that extend over a good portion of the shipping business?

Mr. BUCKLAND. I am not familiar enough with the outside coast-wise lines and the difficulties they may have with weather to answer.

Mr. HARDY. The point I am getting at is that railroads are not always quicker than water by any manner of means.

Mr. BUCKLAND. Oh, no; I do not think they are.

Now, Mr. Chairman, as I was saying, the business which was built up during the time when these railroads were all separately operated is a business which I have just mentioned as being an overnight business to New York City and by virtue of owning these various lines and having various terminals in New York City we are able to give to shippers the delivery in New York City which is the all-important thing in trading with New York. The fact that New York City happens to be one name does not by any means mean that it is only one city. It is a group of industries variously situated, and it is necessary if transportation is to be properly handled that commodities should be delivered as near as possible to the location of the industries which deal in them, as near to that industry and as promptly as possible in order to save delay and save cartage. In other words, transportation to New York City to-day has become a question of deliveries, of deliveries in localities, and this is seen from an examination of the terminal map of New York City which I have hung on the wall, entitled "Freight Terminals, New York, New Haven & Hartford Railroad Co., and New England Navigation Co., in New York, Brooklyn, and Jersey City."

It will be seen upon examination that on Manhattan Island the New Haven interests have a freight terminal at Pier 70, East River, at the foot of East Twenty-third Street; Piers 38, 39, 40, and 41, at the foot of Grand Street; Piers 26 and 27 at the foot of Catherine Street; Piers 19 and 20 at the foot of Dover Street; and on the North River, Piers 9, 10, and 11, at the foot of Cedar Street; 14 and 15 at the foot of Fulton Street; Pier 40 at the foot of West Houston Street, and Pier 84—I wish to say parenthetically we have only a reversionary interest in that pier, but we shall acquire it in due time—at the foot of West Forty-fourth Street.

In other words, in order to get proper deliveries in New York City we must acquire and hold piers practically surrounding the entire business part of Manhattan Island. In addition to that we have certain piers in Brooklyn, and we have rights of delivery at various terminals on the Brooklyn side of the river.

Now, if we were required to handle all of these goods by rail it would mean that they would all be landed at our rail terminals on the north side of the Harlem River, from which they must either be teamed or floated to terminals in New York City on Manhattan Island.

The CHAIRMAN. These same terminals where your boats now land practically.

Mr. BUCKLAND. It is obvious that the economical handling of that traffic is by steamboat rather than by rail.

Now, the question arises as to what rates are charged for the handling of this traffic. I quote a statement which I made in the hearings before the Committee on Inter-oceanic Canals, United States Senate, Sixty-second Congress, on House bill 21969, which was the Panama Canal act, at the hearings last spring and summer. I quote from page 763:

I file here a schedule of our class and commodity rates, showing that the class rates by water are 3 cents per hundred pounds and 60 cents per ton on the average cheaper than the all-rail rate, and the commodity rates are 11 cents per hundred pounds or \$2.20 per ton cheaper than the all-rail rates.

To give you just an instance, the rates between New York and Bridgeport by water, sixth class, is 5 cents; rail, 8 cents.

The CHAIRMAN. What kind of commodities?

Mr. BUCKLAND. These are the ones included under classification. I will come to the water rates in a minute. The classified rates are those which are fixed by the official classification committee, consisting of the railroads north of the Ohio and Potomac Rivers and east of the Mississippi River. They are embraced in a large book which sets forth practically all the commodities and their class rates.

Third class, water, 8; rail, 12. Boston, sixth class, water, 12; rail, 15; second class, water, 24; rail, 29. I have simply taken a few of these at random. The whole will be filed with the committee.

(The statement referred to is as follows:)

Class rates.

Between New York and—	1	2	3	4	5	6
Bridgeport:						
Water.....	14	11	8	7	6	5
Rail.....	17	15	12	9	8	6
New Haven:						
Water.....	16	13	11	8	7	6
Rail.....	19	16	14	11	10	9
New London:						
Water.....	20	17	14	12	10	9
Rail.....	22	19	16	13	11	10
Providence:						
Water.....	27	23	18	16	14	12
Rail.....	31	27	22	18	17	15
Fall River:						
Water.....	27	23	18	16	14	12
Rail.....	32	29	24	18	17	15
Newport:						
Water.....	27	23	18	16	14	12
Rail.....	32	29	24	18	17	15
New Bedford:						
Water.....	27	23	18	16	14	12
Rail.....	32	29	24	18	17	15
Boston:						
Water.....	29	24	18	17	14	12
Rail.....	34	29	23	19	17	15
Rail and water.....	34	29	21	19	16	14

Commodity rates.

Between New York and—	Cotton piece goods.	Woolens.	Boots and shoes.	Dry goods.
Lowell:				
Rail.....	25	35	35	35
Rail and water.....	15	15	30	26
Fall River:				
Rail.....	24	32	32	32
Rail and water.....	11	14	24	19
Worcester:				
Rail.....	21	32	32	32
Rail and water.....	13	15	25	20
Brockton:				
Rail.....	24	32	32	32
Rail and water.....	12	15	25	20
Watuppa:				
Rail.....	24	32	32	32
Rail and water.....	11	14	24	19

Commodity rates—now, those are rates where the railroad company, in order to take care of an industry upon its lines, will take

out of the class rates certain commodities in which they are particularly interested and make special rates governing that particular traffic.

On cotton piece goods, between Lowell and New York; rail rate, 25 cents—you will see Lowell is an interior point—rail and water rate, 15 cents.

The CHAIRMAN. Per hundred?

Mr. BUCKLAND. Per hundred pounds.

Woolens, rail, 35; rail and water, 15; boots and shoes, rail, 35; rail and water, 30; dry goods, rail, 35; rail and water, 26.

Fall River, cotton piece goods, rail, 24; rail and water, 11; woolens, rail 32; rail and water, 14; boots and shoes, rail, 32; rail and water, 24; dry goods, rail, 32; rail and water, 19.

I will not take up the time of the committee going over all these, but simply desire to cite these instances.

Mr. HARDY. Let me interject a question: By having the railroad and water routes operated in combination or under the same ownership, you fix arbitrarily the difference between the rail and water rates, do you not?

Mr. BUCKLAND. We can not; it is not within our power to fix arbitrarily either the rail or water rates. It is all subject to the Interstate Commerce Commission. We have only power to fix arbitrarily the port-to-port rates.

Mr. HARDY. How long has it been that the commission has controlled your rail and water rates?

Mr. BUCKLAND. Probably since the inception of the bill of 1887; certainly since the Hepburn Act.

Mr. HARDY. The Interstate Commerce Commission fixes your joint rates and your proportional rates between the rail and water transportation?

Mr. BUCKLAND. They have not been able to fix the proportional rates during all that time, but they have been able to control the through rates.

Mr. HARDY. Do you mean to say that they have fixed the differential between the water and the rail?

Mr. BUCKLAND. I mean to say this, that since the Hepburn Act they have, certainly.

Mr. HARDY. That was in 1906, was it not?

Mr. BUCKLAND. I think it was 1906. The Interstate Commerce Commission has had full control over rail rates and over rail and water rates. They did not have any control then, and they have not any control now over purely port-to-port local rates.

Mr. HARDY. Let us leave out the Interstate Commerce Commission's function. If the water transportation and the railroad transportation were disconnected and unallied, would not that be a different situation as to this differential from what there would be if they were connected and under the same control or operated in combination?

Mr. BUCKLAND. Not unless you charged dereliction of duty to the Government body which has control of it.

Mr. HARDY. I am leaving out of the question Government control. If you owned no water lines and no water lines owned railways, would not that be a very different situation then existing from the one that

does exist with the railroads owning the water lines or the water lines owning the rail lines, or the two acting in combination?

Mr. BUCKLAND. I am unable to understand how it can be a different situation, sir, so far as service to the public and rates are concerned.

Mr. HARDY. So far as rates are concerned, would not they endeavor to get all the freight they could and for that reason reduce freights, whereas if they are working in combination they adjust the situation to suit themselves; is not that natural?

Mr. BUCKLAND. I do not think it is natural or a proper conception of the functions of a common carrier, sir.

Mr. HARDY. At any rate, you have in some way adjusted things so that you have a definite, fixed differential between the water and the rail?

Mr. BUCKLAND. No; those differentials vary from time to time.

Mr. HARDY. But vary as you vary them, do they not?

Mr. BUCKLAND. Oh, yes.

Mr. HARDY. And you vary them by agreement between the water and the rail?

Mr. BUCKLAND. It is the same control, yet water lines in connection with the rail lines to-day give a preferential delivery into the city of New York for a lower rate than all rail.

Mr. HARDY. Do you mean to say if there was no connection or any combination that there would not be any difference between the condition as it is now with connection and with combination?

Mr. BUCKLAND. My best impression about that—and I should have to be corrected by our traffic man, because I am not a traffic man—is that there would be a higher rate from the point of production to the point of consumption.

Mr. HARDY. Still, you could not have and there would not be such harmony as you have now.

Mr. BUCKLAND. I dare say.

Mr. HARDY. And there would be bound to be some competition, would not there?

Mr. BUCKLAND. I think there might be some competition, sir, and there is competition to-day, but I do not think that competition would result in as good service or any more favorable rate.

Mr. HARDY. Well, how does it happen that in some cases water transportation is absolutely destroyed, not alone there but in other places; take the Mississippi River, for instance, if this agreement does not amount to anything—

Mr. BUCKLAND. I think that it is unfortunate that any general statement should attempt to be made covering all water transportation in competition with rail transportation without knowledge of local conditions. It may be—I do not know—that the 25 feet of water in Long Island Sound makes it possible for water to compete with rail, whereas the 12 or 14 feet in the Mississippi River does not. I do not know those local conditions, sir.

Mr. HARDY. As a matter of fact, however, the general condition is summed up in the statement that the railroad and the water rates through all that section you have been talking about are made with perfect harmony between the rail and water routes?

Mr. BUCKLAND. Only so far as it relates to the lines which are controlled by the New York, New Haven & Hartford Co.

Mr. HARDY. Do or do not the other water lines give the same rates that your lines do?

Mr. BUCKLAND. I do not know what their rates are, sir.

Mr. HARDY. You have no conference with any other water lines?

Mr. BUCKLAND. None whatever.

Mr. HARDY. I will allow you to proceed, now, without interrupting you further.

The CHAIRMAN. The question arises, Why did the New York, New Haven & Hartford get control of these lines, if it was not that they might regulate the water rate?

Mr. BUCKLAND. I endeavored to show you, sir, that the control of those lines came with the control of the railroads of which they were complementary a part.

The CHAIRMAN. I can readily understand that so long as those railroads ran from north to south to the seaboard and connected with water lines to New York, that there could be no prejudice to the shipper by either inland or by water, but when the line was built from New York skirting the seaboard to New England, and picked up these different water lines and gained control of them, that that might work out an entirely different situation.

Mr. BUCKLAND. It did not work—

The CHAIRMAN. That placed the water line in direct competition with the rail line, whereas prior to that time there was no competition between the two; one simply supplemented the service of the other.

Mr. BUCKLAND. Your chronology is not quite correct. The various lines were in alliance with and, perhaps, controlled the rail lines when the rail lines themselves were purchased. The water lines were not purchased independently by the rail lines at all; they operated as one; a great traffic had been built up along those lines. At the time of the hearing on the Panama Canal act there was almost an unanimous—I think I might say an unanimous sentiment in New England that the traffic, rail and water, running into New York City should not be interfered with; it should be permitted to remain where it is; that traffic and that transportation has naturally grown up, sir, whereby shippers from interior points, from the cotton mills, from the woollen mills, or from the boot and shoe factories and other manufacturing interests can by rail and water get a preferential delivery at a lower rate in New York City than they can get all rail. When the New York, New Haven & Hartford acquired, if you like, the New York, Providence & Boston and thus obtained an entrance into Providence, R. I., the New York, Providence & Boston owned every share of stock in the Providence & Stonington Steamship Co., and controlled and operated that steamship company running into New York City, and had built up a traffic by virtue of that ownership and control, which was a traffic complementary to the rail lines.

I do not understand that it was the duty of the New Haven road upon acquiring control of that rail line to sell off the steamship lines and give away the good will that it had acquired; neither do I think it would have been to the interest of the community to divorce the rail line and the water line.

The CHAIRMAN. That may be; but it created an entirely different situation from that which had obtained before, because we here have

a rail line paralleling and in direct competition with the water line; and when the rail line gets control of the water line, then it absolutely controls the rate via water as in competition with the rail, does it not?

Mr. BUCKLAND. It controls certainly the rail rate, and it controls the rail and water rate, subject to the Interstate Commerce Commission's adjustment of the rate.

The CHAIRMAN. The only competition it would have would be by water from what you call the "tramp steamer" or the independent lines?

Mr. BUCKLAND. Oh, no, sir. The independent lines are not what you call "tramp steamers" at all. When I speak of "tramp steamers" I mean steamers not traveling on any particular schedule. The independent lines which are running in Long Island Sound and Narragansett Bay are neither few nor infrequent.

Mr. AYRES. But, Mr. Buckland, is it not a fact that your railroad has deliberately endeavored to stifle all competition by water lines, so far as you can?

Mr. BUCKLAND. No, sir; it is not.

Mr. AYRES. In this very report the Commissioner of Corporations mentioned your acquisition of the Joy Line after a very bitter contest and your withdrawal and distribution of the stock of the Joy Line.

Mr. BUCKLAND. That Joy Line is still running to-day. The stock has not been withdrawn and never has been withdrawn. I am sorry for the inaccuracy of the Commissioner of Corporations on certain points.

Mr. GREENE. Was not the Commissioner of Corporations Herbert Knox Smith?

Mr. BUCKLAND. I do not know how much Mr. Smith had to do with the writing of this part 4. It is signed by Mr. Conant.

Mr. GREENE. Herbert Knox Smith has been there only a few months.

Mr. BUCKLAND. My correspondence on this particular feature was almost entirely with Mr. Conant or Dr. Ramage, of the department.

Mr. WILSON. Referring to your statement that there were 33,000,000 tons originating in New England, in and out of ports of New England, does that include New York and New England or just New England?

Mr. BUCKLAND. Just New England.

Mr. WILSON. What portion of that 33,000,000 tons originates in New England and is delivered at other points than New England, and what proportion originates outside of New England and is delivered in New England?

Mr. BUCKLAND. It is impossible to say from the returns of the chief engineer, because they are not kept in that detail; but from the nature of the commodities I should say that the portions which travel from port to port in New England were comparatively negligible, as I said in answer to your first question.

Mr. WILSON. Yes.

Mr. BUCKLAND. For instance, when you find fertilizer coming into a port like Portland, Me., you know it does not come from any New England port; that it comes from some port in the South.

Mr. WILSON. If I remember, you said or coal also?

Mr. BUCKLAND. Or coal: and when you find granite going from Portland you know in all probability it is going to New York or some point south.

Mr. WILSON. Approximately, what would be the total amount of tonnage originating in New England and delivered in New England?

Mr. BUCKLAND. Originating in New England?

Mr. WILSON. Yes.

Mr. BUCKLAND. I think it is almost none.

Mr. WILSON. Almost none?

Mr. BUCKLAND. Almost none; that is my best judgment.

Mr. WILSON. Where it originates in New England and is delivered in New England?

Mr. BUCKLAND. No; our tonnage originates in New England and is delivered in New York—

Mr. WILSON. A total of 2,000,000 tons?

Mr. BUCKLAND. Our tonnage originates in New England and is delivered in New York, or our tonnage originates in New York and is delivered in New England.

Mr. WILSON. What is the total amount of tonnage originating in New England and delivered in New York, and originating in New York and delivered in New England?

Mr. BUCKLAND. I do not believe it is possible to segregate that from the figures which I have.

Mr. WILSON. Would not the business carried by your concern be practically all of that kind of business?

Mr. BUCKLAND. Oh, no. As I have shown you, the coal business is entirely carried by lines outside of ours—almost entirely—and with a carrying capacity of 100,000 tons more than ours.

Mr. WILSON. You stated there were six and a quarter million tons of coal that came into Boston delivered by water and a quarter of a million tons delivered by your railroad?

Mr. BUCKLAND. Yes, sir.

Mr. WILSON. Does that represent the entire coal tonnage of your railroad or simply coal tonnage delivered in Boston?

Mr. BUCKLAND. Coal tonnage of our railroad delivered in Boston.

Mr. WILSON. And does not take into consideration the amount of coal tonnage delivered at points outside of Boston, between New York and Boston?

Mr. BUCKLAND. Oh, no.

Mr. WILSON. What is the total tonnage delivered by your railroad between New York and Boston?

Mr. BUCKLAND. By our steam road?

Mr. WILSON. By your steam road.

Mr. BUCKLAND. I do not know. Mr. Campbell, have you any idea?

Mr. CAMPBELL. I can not tell you.

Mr. WILSON. It is quite in excess of 6,000,000 tons, is it not?

Mr. CAMPBELL. A total of 5,000,000 tons entirely by our road.

Mr. BUCKLAND. Mr. Campbell, our traffic man, says 5,000,000 tons. I only use that striking figure of 6,000,000 tons because it caught my attention with reference to Boston. You must know that the coal traffic into New England is very largely performed by water. There is a very large traffic from the Virginia capes to Providence and to—

Mr. GREENE. Fall River?

Mr. BUCKLAND. Fall River, I do not think so; but Alyn's Point on the Thames, some to Fall River and some to Providence, New Bedford, New London—a very large tonnage which never touches our rails at all.

Mr. WILSON. What I want to get at is this, that the six and a quarter million tons delivered at Boston and the tonnage delivered at other points is not exclusively for the use of Boston, but is transferred there and transshipped and transported to interior points, to a considerable extent.

Mr. BUCKLAND. Oh, I suppose it is; yes, sir.

Mr. WILSON. So that your railroad by its line in the coal trade competes with the deliveries at Boston and at other places?

Mr. BUCKLAND. There is a competitive feature between the rail hauls of coal and the water hauls of coal.

Mr. WILSON. And your line deliveries, which would come in competition with this six and one-quarter million tons delivered at Boston, would be delivered by your railroad before reaching Boston, while that which was delivered by the steamship companies would be delivered on your lines after reaching Boston?

Mr. BUCKLAND. Yes.

Mr. WILSON. And the comparison of six and a quarter million tons with a quarter of million tons delivered at Boston, would, consequently, not be an equitable comparison?

Mr. BUCKLAND. Yes; I think it would, for this reason—perhaps I did not go into this far enough. You must understand that a large part of that 5,000,000 tons that Mr. Campbell speaks of our hauling may be short hauls, from terminal points like New Haven, Bridgeport, New London, Providence, New Bedford, as well as Boston and others, so that it does not follow, sir, that the 5,000,000 tons goes all of the way over the lines to destination by all rail.

Mr. WILSON. Oh, no.

Mr. BUCKLAND. It may be short hauls.

Mr. WILSON. I am seeking information as to the amount of that that was delivered at various points—line points of railroad, of the total coal tonnage of your railroad and the amounts that were delivered at various line points before reaching Boston, plus the amount at Boston, for the purpose of getting a means of comparison between your tonnage and that delivered at Boston by water.

Mr. BUCKLAND. I think I appreciate, now, the point you are trying to make. Then, sir, in order to get the proper proportion there should be added to the tonnage received at Boston the tonnage received at all other ports, and likewise—

Mr. WILSON. Can you give us those figures?

Mr. PARRY. They can be prepared for you, sir.

Mr. BUCKLAND. I haven't them, but my assistant here will get them for you if you would like to have them.

Mr. HARDY. I would like to supplement that by this question, whether this entire tonnage of your railroad does not carry a much higher rate of freight than your terminal tonnage of coal at Boston; whether your railroads do not charge a much higher rate from all these interior points than they do when they carry to the point apparently in competition with the water route to Boston itself!

Mr. BUCKLAND. My impression is, subject to correction by our traffic officers, that all rail lines, including our own, feel the effect of water competition and make their rates accordingly.

Mr. HARDY. And thereby you make your interior points a very much higher rate than you do the Boston points?

Mr. BUCKLAND. I think that is generally so.

Mr. HARDY. Is not that the instrumentality by which you are able to compete with any water transportation, this recouping your low rates at Boston or at water points by your high rates at interior points?

Mr. BUCKLAND. I think the answer to that is that we take about 6 per cent of the total tonnage by water and about 94 per cent of it is handled by somebody outside of us.

Mr. HARDY. You take about 6 per cent for your particular lines?

Mr. BUCKLAND. Yes.

Mr. HARDY. But you are all in conference with the other lines?

Mr. BUCKLAND. No, sir; I beg your pardon.

Mr. HARDY. Do you not get the same rates from Boston to New York, either by rail or water, when you take a bill of lading over any of those lines?

Mr. CAMPBELL. No.

Mr. BUCKLAND. Mr. Campbell says no. He is in charge of our traffic.

Mr. HARDY. Supposing you are sending something from Boston to New York, and then into the interior some little distance. Do you not get the same rates there?

Mr. BUCKLAND. I have endeavored to show you here, sir, that the difference in those rates—

Mr. HARDY. Your statement is that the two companies do not give the shipper the same rate from an interior point in Massachusetts to an interior point in New York, water and rail, when you give a bill of lading for that.

Mr. BUCKLAND. You are beyond my depth, and I would like to put Mr. Campbell on to answer those questions. Mr. Campbell, can you answer?

The CHAIRMAN. We are going to have him later.

Mr. BUCKLAND. Very well; on these traffic questions as to rates I would a great deal rather Mr. Campbell would answer.

Mr. PORTER. When did this consolidation take place of all these railroads and steamship lines?

Mr. BUCKLAND. It has been a gradual consolidation. When the New York & New Haven consolidated with the New Haven & Hartford Railroad in 1872, then began the consolidations down to 1900. Every two or three years there was another railroad added to the list. For instance, the original New York, New Haven & Hartford Railroad ran from New York to Springfield, and these various lines which you will see here have been added from time to time.

Mr. PORTER. Now, another question. I am not clear about this. You stated in your preliminary remarks that the total tonnage in and out of New England ports was approximately 32,000,000, and that the tonnage carried by the New Haven system was approximately 2,000,000?

Mr. BUCKLAND. Yes, sir.

Mr. PORTER. Treating New York as a New England port, what percentage of that 32,000,000 passed between New England ports—that is to say, left one New England port for another New England port, treating New York as a New England port?

Mr. BUCKLAND. Yes, sir—that is a question asked me, and I am unable to segregate the figures. I will ask my assistant to get it, if he can, from the report of the Chief of Engineers of the United States Army. That is the source from which I take those figures, and I will ask him to segregate it, if he can, and give you these figures. I do not know whether it is possible for him to do it or not.

Mr. PORTER. Excluding the coal, will you consider, say, 13,000,000 tons, as approximating the amount that passed from one New England port to another, taking New York as a New England port?

Mr. BUCKLAND. Mr. Perry, are you able to answer that?

Mr. PERRY. I was not here when the question started.

Mr. PORTER. What I want is this: Your statement was that the tonnage in and out of New England ports—

Mr. BUCKLAND. Coastwise?

Mr. PORTER. Coastwise it is approximately 32,000,000 tons.

Mr. PERRY. Excluding entirely New York City?

Mr. PORTER. Yes. That throws no light on the extent of the traffic between New England ports, treating New York as one—absolutely no light on it at all; and those are the figures I would like to have.

Mr. BUCKLAND. Then you would like to have the shipments in and out of New York City coastwise to New England ports segregated?

Mr. PORTER. And from one New England port to another, which you say, I believe, is a negligible quantity?

Mr. BUCKLAND. I am so advised, that it is a negligible quantity.

Mr. PERRY. I do not know how to obtain the information you have asked for. The reports of the Chief of Engineers does not show the points of origin or points of destination. Their figures simply show the commercial statistics for the various New England ports.

Mr. PORTER. As vice president of this railroad, can you estimate what percentage of traffic between New England ports you carry?

The CHAIRMAN. Is not this true, that of this 32,637,513 tons of traffic in 1911, and 33,560,753 tons in 1912, the great bulk of it was coal from Pennsylvania coal fields or from the Virginia coal fields, going into New England, and that the 1,956,537 tons represents the traffic that originated in New England and goes to New York; that is, between New York and New England ports?

Mr. BUCKLAND. No, sir; not quite that.

The CHAIRMAN. Do your lines handle much coal?

Mr. BUCKLAND. Our Hartford & New York Transportation Co. handle some coal and our New York, Ontario & Western handles some coal.

The CHAIRMAN. It amounts to very little, does it not, compared with the total?

Mr. BUCKLAND. To very little, as compared with the total, yes; but it is not so, and I think Mr. Perry will bear me out in that, that those 33,000,000 tons is practically all coal. I think there is a very considerable amount of commodities other than coal, and I think that could be segregated.

The CHAIRMAN. But the large bulk of it is coal originating at Philadelphia and going around to New England points, and the New Haven & Hartford Road does not cater to that trade?

Mr. BUCKLAND. My assistant says that he thinks that about half of that was coal. That can be ascertained from these reports.

The CHAIRMAN. It is a very important fact to ascertain, because when you say that you handled 5.8 of the traffic entering New England points, that disproves the statement of the Bureau of Corporations to the effect that the New York, New Haven & Hartford Railroad does practically control all the traffic entering New England ports.

Mr. BUCKLAND. Excuse me, sir, if the New York, New Haven & Hartford Railroad controlled practically all the traffic in and out of New England ports, it would run its ships to the Virginia Capes and take that coal business.

The CHAIRMAN. Oh, no. He had reference, I presume, to the traffic from New York north.

Mr. BUCKLAND. He did not say so.

The CHAIRMAN. If he did not, he should have been more definite.

Mr. BUCKLAND. And he said that the New York, New Haven & Hartford dominated the conditions on Long Island Sound. I have showed that there is in those coal fleets absolutely and practically in competition 100,000 tons more carrying capacity than our entire tonnage.

The CHAIRMAN. Take the Reading Railroad. Most of their shipments are from Philadelphia, are they not?

Mr. BUCKLAND. Yes.

The CHAIRMAN. Do you say that you are a competitor of theirs?

Mr. BUCKLAND. Decidedly.

The CHAIRMAN. In what sense?

Mr. BUCKLAND. Because we handle coal—

The CHAIRMAN. South of New York?

Mr. BUCKLAND. Because we handle a very large amount of coal over the Poughkeepsie bridge route that comes from the anthracite fields.

The CHAIRMAN. But the great bulk of this coal will come directly from Philadelphia around to New England ports and is certainly not transhipped at New York. Your lines do not extend beyond New York south, do they?

Mr. BUCKLAND. No, sir. But I take it that we are in competition with a water line whenever we own a rail line which, in connection with another rail line, plies between common ports.

The CHAIRMAN. You might be in competition with another rail line, but you are not in competition with an all-water line?

Mr. BUCKLAND. I wish I thought so. Then I should not have so much doubt about our ability to continue operating our lines after July 1, 1914.

Mr. WILSON. How far south would you consider you would have to go before you get out of competition—Baltimore, Norfolk, or Newport News?

Mr. BUCKLAND. A strict interpretation of the Panama Canal act would prevent our running a line from Boston to San Francisco.

Mr. WILSON. I am speaking not from the standpoint of what the law says, but from the standpoint of what is actual competition.

How far south would you consider you would have to go before you would get out of a point where they would be competitive?

Mr. BUCKLAND. I think we should not be afraid of competition all the way around to Galveston and then on through, when the canal opened, to San Francisco. In fact, some of our rates—if I recollect the rates correctly on cotton piece goods to San Francisco were made in view of a similar rate by the American-Hawaiian Line which at that time ran around the Horn or through the Straits of Magellan.

Mr. WILSON. Then you would consider that the portion of tonnage that you are competitors in would be the entire tonnage originating anywhere and delivered anywhere on our coast, and delivered at New England points as compared with the tonnage originating on your lines?

Mr. BUCKLAND. I have not directed my attention to that. If I had, I should have considered the ports of entry other than the New England ports.

Mr. WILSON. I simply wanted to know where you draw the dividing line, if any.

Mr. BUCKLAND. If I had directed my attention to that I should have given you the total tonnage on all the Atlantic coast ports.

The CHAIRMAN. What other water lines compete with the New York, New Haven & Hartford—owned and controlled water lines between New York and points on the New England coast, outside of the railroad-owned coal-carrying barges; for instance, the Reading and the Pennsylvania?

Mr. BUCKLAND. You mean the package freight lines?

The CHAIRMAN. Yes; the package freight lines.

Mr. BUCKLAND. I will file this memorandum, and read it.

The CHAIRMAN. Give them to us slowly.

Mr. BUCKLAND. I am going to read it; and then I will file it so that the stenographer can get it. This gives names of the companies operating steamboat lines independent of New Haven interests between the points mentioned: New York & New Rochelle; the Davis Transportation Co.

The CHAIRMAN. New York & New Rochelle. New Rochelle is a point on your railroad?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. And there is direct competition between your railroad and that line?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Do you run a water line between those points?

Mr. BUCKLAND. No, sir. New York & Mamaroneck.

The CHAIRMAN. That is a point also on your railroad?

Mr. BUCKLAND. That is a point also on our railroad in New York. Perhaps I had better point it out as I go along. [Indicating on map.] There is New York & New Rochelle; there is New York & Mamaroneck.

The CHAIRMAN. You have no line between those points?

Mr. BUCKLAND. We have no line between those points.

The CHAIRMAN. Then give the next.

Mr. BUCKLAND. New York & Greenwich.

The CHAIRMAN. Have you any line between Greenwich and New York?

Mr. BUCKLAND. The Greenwich & New York Navigation Co. is the name of the corporation.

The CHAIRMAN. You have no line between those points?

Mr. BUCKLAND. No, sir.

The CHAIRMAN. What water line is it?

Mr. BUCKLAND. The Greenwich & New York Navigation Co.

The CHAIRMAN. Just take up those other points.

Mr. BUCKLAND. New York and Stamford—I will tell you when we have any water lines—operated by the two lines, North & East River Steamboat Co. and the Stamford Merchants Line.

The CHAIRMAN. Have you any lines between those points?

Mr. BUCKLAND. No, sir. New York and New Haven.

Mr. WILSON. In the places that you have named, they are simply local lines out of southern New York to the suburbs?

Mr. BUCKLAND. Stamford is 33 or 34 miles from New York, and has a very considerable package freight business moving on those lines from New York City.

New York and New Haven—there we operate one line; and the Starin Line, an independent line, also operates.

The CHAIRMAN. There is no community of interest between your line and that line?

Mr. BUCKLAND. None whatever.

The CHAIRMAN. And no agreement as to rates?

Mr. BUCKLAND. None whatever.

The CHAIRMAN. How do their rates compare with your rates?

Mr. BUCKLAND. I shall have to ask Mr. Campbell to testify as to that, because I am unfamiliar.

The CHAIRMAN. Let him state now how they compare.

Mr. CAMPBELL. I do not know, but I think they are somewhat lower. I have not seen their tariff.

Mr. BUCKLAND. Shall I proceed?

The CHAIRMAN. Proceed.

Mr. BUCKLAND. New York and Norwich; the Norwich & New York Propeller Co., called the Chelsea Line. We run a line from New York to New London, which is down the river from Norwich, but we do not run that line up to Norwich.

Mr. HINDS. What is the Central Vermont?

Mr. BUCKLAND. The Central Vermont is the line which runs from New London to New York; also another line—

Mr. HINDS. That is not a competitor?

Mr. BUCKLAND. Oh, yes; very distinctly competitive. That is owned by the Grand Trunk Railway.

Mr. HINDS. And that goes clear around?

Mr. BUCKLAND. My understanding of it is—and Mr. Campbell will correct me if I am wrong—that the Central Vermont Line, owned by the Grand Trunk Railway Co., takes traffic between New York City, via New London, northerly on the Central Vermont, through Canada, and to points like Chicago and Canadian points, and westward.

The CHAIRMAN. How many steamers do they operate?

Mr. BUCKLAND. My recollection is two. They run a daily service.

The CHAIRMAN. Is it entirely independent of the New York, New Haven & Hartford Railroad Co.?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. There is no community interest between the railroads. Is that controlled by the Grand Trunk?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. That is a railroad-controlled line?

Mr. BUCKLAND. Oh, yes.

The CHAIRMAN. But not controlled by your road?

Mr. BUCKLAND. Not controlled by our road.

Mr. HARDY. Did I not understand you to say that out of Long Island Sound there were 362,000 tons of water transportation controlled by the other roads, and 262,000 tons by your road?

Mr. BUCKLAND. Yes, sir. That is entirely exclusive of these package freight lines, excepting the Central Vermont.

The CHAIRMAN. I would like them separate from my inquiry here, if you please. What I would like to know and what I was trying to develop are the independent lines in the New England trade.

Mr. BUCKLAND. I am trying to give them to you.

The CHAIRMAN. I wish you might be permitted to.

Mr. HINDS. What have you to say in regard to the Bangor & Aroostook?

Mr. BUCKLAND. The Bangor & Aroostook does not operate a steamboat. They come in at Stockton Springs, the coast of Maine.

Mr. HINDS. They have water transportation, do they not, to New York?

Mr. BUCKLAND. I do not know. They are an independent line; I do not know anything about them. Shall I repeat them, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. BUCKLAND. I have given New York and Norwich owned by the New York & Norwich Propeller Co.; also the Central Vermont Line, owned by the Vermont Central Railroad Co., which in turn is controlled by the Grand Trunk Railway Co. of Canada.

The CHAIRMAN. How do the rates compare on the two lines?

Mr. BUCKLAND. I do not know the rate subject. Mr. Campbell will have to give that.

The CHAIRMAN. Let him come later. That will be more satisfactory.

Mr. BUCKLAND. I am not familiar with the rates. New York and Providence, the Colonial Line. We control two lines running from Providence, one the New England Steamship Co. and the other the Hartford & New York Transportation Co.

Mr. HUMPHREY. What is the approximate distance from Providence to New York?

Mr. BUCKLAND. 180 miles.

The CHAIRMAN. How does that Colonial Line compare with yours in size—tonnage and number of boats?

Mr. BUCKLAND. With the Providence Line?

The CHAIRMAN. Yes.

Mr. BUCKLAND. The Providence Line is a part of our regular fleet of thirty and odd boats, but I should imagine that our boats—

The CHAIRMAN. How many boats have they—two steamers of small size?

Mr. BUCKLAND. I do not know. I think there are more than that.

The CHAIRMAN. We have it as two steamers, 2,946 tons.

Mr. BUCKLAND. Capt. Goodrich, do you know the number of steamers the Colonial Line has?

Mr. GOODRICH. Two.

The CHAIRMAN. And a total of 2,946 tons?

Mr. GOODRICH. I will correct that so far as to say that they have two idle ships.

Mr. BUCKLAND. I wanted to know that. They have, then, four steamers. Each one of us have to have two idle steamers, so that the Colonial Line has four steamers.

The CHAIRMAN. Go ahead. You only have two in the service?

Mr. BUCKLAND. We only have two in the service, and that is true of the Hartford & New York Transportation Co., and true of the Providence Line, each having four steamers. They must maintain a daily service.

The CHAIRMAN. There is no connection between them; they are entirely independent?

Mr. BUCKLAND. Absolutely and entirely independent, to the best of my knowledge and belief.

I had got as far as Providence. From Providence to Block Island is the Providence & Block Island Steamship Co. Now, we several years ago entered into an agreement with the town of New Shorham, which is on the island of Block Island, to operate a steamer which the town built, but which it had been unable to find funds to operate, and agreed with it in a contract that we would from time to time account for the earnings of that steamer, and that we would turn over all earnings up to \$4,000 per year to the town in order that it might thereby pay 5 per cent interest on its \$80,000 bonds which it issued, and that we would divide with the town of New Shorham any net earnings above the \$4,000.

Mr. WILSON. That is principally an excursion trade?

Mr. BUCKLAND. That is an excursion trade in the summer, but in the winter time it is absolutely a necessity for those islanders to get to the mainland.

Montauk and Block Island—there is a railroad-owned line, the Long Island Railroad.

Mr. WILSON. Which is also principally an excursion line, is it not?

Mr. BUCKLAND. I am not familiar with it. I rather think that it is. I think the island depends upon our line to get to the mainland, because of the fact that Block Island is a part of Rhode Island rather than New York, but the Block Island traffic is not wholly an excursion traffic. There is a very large fish traffic that has developed in that territory to the mainland and which goes to New York City.

Mr. WILSON. The fish industry has developed the trade there?

Mr. BUCKLAND. Yes.

Then there are some local lines, Mr. Chairman, between Bridgeport and Port Jefferson, across Long Island Sound, and between New Haven and Port Jefferson, which are entirely independent, and I omitted to say a line between New York and South Norwalk, which is at this point [indicating], which is entirely independent, and we operate no other line there.

Then the Eastern Steamship Corporation operates a line between New York and Portland, Boston and Portland, Boston and Bangor,

Boston and the Canadian Provinces, and Boston and several points along the Maine coast.

The CHAIRMAN. That corporation, as I understand you, is controlled by the New York, New Haven & Hartford Railroad Co.?

Mr. BUCKLAND. Absolutely not. That is the very reason why I sent, through my assistant yesterday, a request that you should ask the Eastern Steamship Corporation representatives to come here to-day.

The CHAIRMAN. Do I understand you to say that the railroads do not own that line?

Mr. BUCKLAND. I mean to say that absolutely.

The CHAIRMAN. Do not control it indirectly?

Mr. BUCKLAND. No, sir.

The CHAIRMAN. Does not the New England Navigation Co. control the common stock—

Mr. BUCKLAND. No, sir.

The CHAIRMAN (continuing). Of the New England Steamship Co.?

Mr. BUCKLAND. No, sir.

The CHAIRMAN. Do you mean to say that there is no—

Mr. BUCKLAND. I mean to say that there is no actual or potential control of that line by the New York, New Haven & Hartford Railroad Co., either directly or indirectly, or by any of its interests.

Mr. GREENE. What line is that?

Mr. BUCKLAND. The Eastern Steamship Corporation; and in anticipation of that very thing I asked you to summon, and I think that you did request, the representatives of that corporation to come here to-day.

The CHAIRMAN. Does the New York, New Haven & Hartford Railroad Co. control the New England Navigation Co.?

Mr. BUCKLAND. The New York, New Haven & Hartford Railroad Co. controls the New England Co.; yes, sir.

The CHAIRMAN. And the New England Navigation Co. controls the New England Steamship Co.?

Mr. BUCKLAND. The New England Steamship Co.?

The CHAIRMAN. Yes.

Mr. BUCKLAND. Yes; but not the New England Steamship Corporation, to which I directed your attention.

The CHAIRMAN. Let us get it clearly. The New York, New Haven & Hartford Railroad Co. controls the New England Transportation Co.?

Mr. BUCKLAND. The New York, New Haven & Hartford Railroad Co. controls absolutely, through the ownership of every share of stock and all the bonds, the New England Steamship Co., whose lines I have been talking about.

The CHAIRMAN. Yes.

Mr. BUCKLAND. But the New York, New Haven & Hartford Railroad Co. has neither actual nor potential control, directly or indirectly, of the Eastern Steamship Corporation. The New York, New Haven & Hartford Railroad Co. did control the Maine Steamship Co. and the Maine Steamship Co. owned five vessels and certain wharf properties. Those vessels were named *Old Colony*, *Bunker Hill*, *Massachusetts*, *Northland*, and *North Star*. The Maine Steamship Co. controlled certain wharf properties in Boston and certain wharf

properties in Portland. The Maine Steamship Co. sold all of its property to the Eastern Steamship Corporation and took for it 20,000 shares, par value \$50, out of a total issue of 67,500 shares of common stock; 15,000 shares, par value \$100, out of a total of 30,000 shares of preferred stock; and \$2,500,000 of first mortgage 5 per cent bonds, out of a total issue of \$5,700,000. It took that, Mr. Chairman, because it could not get any other money. It paid \$97.50 for the preferred stock—\$97.50, or took it at that valuation—for the 5 per cent bonds, and \$42 for the common stock, and they are for sale at that price. It has never interfered directly or indirectly or attempted to interfere with the management of the Eastern Steamship Corporation, nor could it ever wish to. Testimony has been offered here—

The CHAIRMAN. You own the New England Steamship Co. absolutely, as I understand it?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. And the New England Steamship Co. owns the stock and bonds in this larger concern you have mentioned?

Mr. BUCKLAND. No—

Mr. HARDY. You own something in the Maine Steamship Co.?

Mr. BUCKLAND. We own something in the Maine Steamship Co.

Mr. HARDY. And the Maine Steamship Co. owns these stocks and bonds?

Mr. BUCKLAND. Let us have no misunderstanding. The New York, New Haven & Hartford Railroad Co—

Mr. AUSTIN. You do not include the four boats of the Metropolitan Line that went in?

Mr. BUCKLAND. I do not know, Mr. Austin. [To the committee:] Mr. Austin is president of the Eastern Steamship Corporation. Perhaps he can tell the story better than I can. My knowledge is that we have 15,000 out of a total of 30,000 preferred stock.

Mr. HUMPHREY. When you say "we"—

Mr. BUCKLAND. I brush aside all technicalities and say "The New Haven road." The New Haven road owns 15,000 out of 30,000 preferred stock in the Eastern Steamship Corporation, 20,000 out of a total of 67,500 of common stock, and two and a half million of mortgage bonds, taken at the prices I have spoken of, in payment for these things which this gentleman says includes other than those I have mentioned.

We have neither the actual nor the potential control of that line. There is no officer of the line in common; there is no director of the line in common, and we have no actual or potential control, and the securities which we have in our treasury are for sale at the price we paid for them.

Mr. HARDY. Well, then, while you have no control, as you stated, of the Eastern Steamship Co., you do own these securities of the company?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. Which amounts in one instance—15,000 out of 30,000—to nearly a half?

Mr. BUCKLAND. Just a moment. The total voting power of the Eastern Steamship Corporation would amount to 97,500 shares, of which the New Haven road or its interests own 35,000.

Mr. WILSON. How widely scattered are the other?

Mr. BUCKLAND. I do not know, sir.

Mr. WILSON. Would not 30,000 out of 97,000, if controlled by one voting power, be very effectual in controlling the corporation?

Mr. BUCKLAND. I should think that would depend on who owned the rest of it.

Mr. WILSON. Particularly if the rest of the 97,000 was widely scattered.

Mr. HARDY. Have you no idea who owns the rest of that stock?

Mr. BUCKLAND. I have not the slightest.

Mr. HINDS. Is that a Morse line? It was once, was it not?

Mr. BUCKLAND. You will have to wait until the president of the road is on the stand.

The CHAIRMAN. You may take up these other points now.

Mr. BUCKLAND. There is one other line I wish to speak of; we have gone over the independent lines. There is one other line I wish to speak of, the representatives of which I asked the chairman to summon here, and that is the Merchants & Miners' Transportation Co., a line operating from Boston and Providence to Chesapeake Bay ports and south Atlantic ports.

The Merchants & Miners' Transportation Co. have a total capitalization of \$5,000,000, of which the New York, New Haven & Hartford, directly or indirectly, owns, subject to a voting-trust agreement, \$2,531,700, or 317 shares more than 50 per cent.

Mr. HARDY. You said there was a voting-trust agreement?

Mr. BUCKLAND. Under a voting-trust agreement.

Mr. HARDY. With whom?

Mr. BUCKLAND. I will file it now. That stock is under a voting-trust agreement entitled "Agreement between the New England Navigation Co. and Nathaniel W. James," dated March 21, 1907, a copy of which I will file with the committee. I wish, however, to read the essential parts of it.

(The agreement referred to was marked by the stenographer "Exhibit No. 110," and was read by Mr. Buckland, as follows:)

EXHIBIT No. 110.

This agreement made the the — day of May, 1907, by and between The New England Navigation Co., a corporation created by the general assembly and existing under the laws of the State of Connecticut, party of the first part, and Nathaniel W. James, and such other stockholders of the Merchants & Miners' Transportation Co., a Maryland corporation, who may within the time fixed in accordance with the terms hereinafter contained become parties hereto, parties of the second part; the said parties of the first and second parts being hereinafter referred to as depositors; and the Safe Deposit & Trust Co. of Baltimore, a corporation organized under the laws of the State of Maryland, party of the third part, and hereinafter called the trustee.

Whereas the said stockholders have sold to the said navigation company, party of the first part, 25,000 shares of the capital stock of the Merchants & Miners' Transportation Co., and it is one of the essential terms and conditions of said sale that the number hereinafter stated of said shares should for the period herein stated be held in trust for the purposes in this instrument set forth, and that this agreement should be executed by the navigation company.

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, and of the sum of \$1 by the trust company paid to the depositors and each of them, the receipt whereof is by them respectively acknowledged, the said depositors hereby sell, assign, transfer and confirm to the trustee for the term of 25 years the following number of full paid shares of the capital stock of the Merchants & Miners' Transportation Co. held by them respectively, to wit:

— shares by the New England Navigation Co.

— shares by the other stockholders, parties of the second part.

And in case any of the stockholders of the Merchants & Miners' Transportation Co. other than the navigation company shall within the time fixed in accordance with the terms hereinafter contained transfer any of their shares to the trustee hereunder, then the navigation company agrees to transfer to the trustee, in addition to the number above set forth, a like number of shares, not exceeding in all, however, 24,900 shares.

This sale, assignment, transfer, and conveyance is made in trust, however, for the following purposes:

I. The trustee shall issue to each depositor a printed or lithographed trust certificate for the shares deposited in the form attached hereto marked "Exhibit A."

The trust certificates shall be transferable only on the books kept for this purpose by the trustee, by the trust certificate holder in person or by attorney, and on surrender of his certificate properly indorsed. Such assignment of the certificate shall effect a transfer of and the assignee shall be entitled to all the rights of the depositor in the shares deposited or the proceeds of any disposition thereof made in pursuance of the terms of this instrument and to every other right of the depositor by virtue of the deposit or of this agreement.

The trustee may for every purpose treat the registered holder as the absolute owner of the certificate, except that no delivery or distribution of any of the shares, or of the proceeds of any disposition thereof, shall be made except on the surrender of the trust certificate issued hereunder for a like number of shares.

II. The trustee shall hold all shares transferred or deposited hereunder as a unit or whole in trust for the purposes and with the powers set forth herein until the expiration of 25 years from the date hereof, and for the benefit of the trust certificate holders in proportion to their respective interests hereunder, that is to say, the interest of each holder of any trust certificate issued hereunder shall be that proportion of the total interest of all certificate holders which the number of shares for which such trust certificate shall have been issued shall bear to the whole number of shares for which all then outstanding trust certificates may have been issued.

The majority in interest of the holders of outstanding trust certificates issued hereunder shall have the right to change and extend the term of the trust hereby created for a period of not more than 25 years in addition to the term herein limited. Such extension shall be made by a notice or declaration in writing signed by such trust certificate holders and delivered to the trustee.

Seventy-five per cent, in interest of said trust certificate holders may by notice or declaration in writing terminate said trust on any earlier date.

On the expiration, or on any such earlier termination of said trust, the shares held by the trustee or the proceeds of any disposition thereof made in accordance with the terms hereof, shall be transferred and delivered to said trust certificate holders pro rata, in accordance with their respective interests.

III. The trustee shall receive all dividends (whether of money or securities) and promptly after the receipt distribute the same among said trust certificate holders in proportion to their respective interests as herein defined.

IV. The trustee shall at any annual or special meeting of the stockholders vote all the shares transferred to it and held by it hereunder as a unit for the election of directors or for any other purpose.

The navigation company shall have the right to nominate two persons to be elected as directors and the said other stockholders, parties of the second part hereto, or a majority in interest thereof, shall have the right to nominate two; the four shall select the remaining or fifth person to be elected and give the trustee notice of such selection not later than the day preceding the election day. In case such fifth nominee shall not be chosen, or in case notice of such nomination shall not be given to said trust company, as above provided, then the Safe Deposit & Trust Co., trustee hereunder, shall in its discretion nominate such fifth person to be so elected.

The nominations to be made by the parties of the first and second parts hereto shall be made in writing and delivered to the trustee not later than the day preceding the election day, and in case either of said parties shall fail to make such nomination (as to one or both persons) then the Safe Deposit & Trust Co. shall have the right in its discretion to fill such vacancy and to make the nomination instead. All of the shares held by the said trustee hereunder shall be voted only for the persons nominated as above provided.

In case the number of directors of said company shall be changed the relative rights of said parties shall nevertheless be maintained, so that the party of the first part and the parties of the second part shall have the right to nominate an equal number of persons for election as directors, which whole number shall be one less than the total number of directors of the company to be elected, and so that one of the persons to be voted for shall always be nominated by such nominees or by said trust company in the manner as hereinbefore provided in reference to the nomination of the fifth director.

In case any director shall die or resign that one of said two parties which shall have nominated such directors shall have the right to nominate his successor, for whom said shares shall be voted.

The trustee in exercising its right of making nominations for directors or in exercising the right to vote for any other purpose shall do so with a view to maintaining the Merchants & Miners' Transportation Co. as an independent corporation and not under the control or domination of any common carrier, and with a view further to promoting the common interest of all stockholders of said Merchants & Miners' Transportation Co. and not with a view to promoting any adverse separate interest of any one or more of said stockholders.

V. The trustee shall not sell, exchange, or otherwise dispose of any of the shares transferred to it hereunder or vote such shares for the consolidation or dissolution of the Merchants & Miners' Transportation Co. or for any sale which shall include more than one-quarter in value of the assets of said company, except with the written consent of 75 per cent in interest of the holders of said trust certificates then outstanding. No sale, exchange, or other disposition of such shares shall in any event be made except as a unit or as a whole. Any money which shall be received as a result of any such sale or other disposition shall at once be distributed by said trustee among said trust certificate holders in proportion to their said interests. Any securities that may be received shall, however, be held by said trustee instead of said shares and for the same term and upon the same trusts herein expressed with reference to said shares.

VI. The trustee shall be entitled to be indemnified out of the principal and income of said shares held by it for all taxes, assessments, and other liabilities to which it may become subject by reason of its holding of said shares, and for all expenses or liabilities which it may properly incur in the discharge of its duties as such trustee.

The said trustee shall be obliged to make the delivery of shares to the trust certificate holders on the termination of the trust as herein provided for only out of such certificates of stock as may be delivered to said trustee hereunder; and said trustee shall not be liable or responsible for or with respect to the full payment of such shares, and the recital of full payment of any of said shares made in any of the trust certificates issued hereunder shall be considered as made on behalf of the holder of such trust certificate.

Any stockholder of the Merchants & Miners' Transportation Co. may become a party hereto on or before June 15, 1907, or on or before such later date as the trustee and the said navigation company may in their discretion jointly fix, but not thereafter. If, however, within the time so stated or to be fixed at least 10,000 shares of the stock belonging to said other stockholders are not deposited hereunder, then this agreement shall be void.

The deposit of any certificate of capital stock of the Merchants & Miners' Transportation Co., indorsed in blank, and the acceptance of a trust certificate shall constitute such depositor a party hereto as fully as if he had executed this agreement.

Counterparts of this agreement may be signed and shall together constitute one instrument.

VII. This agreement shall inure to the benefit of and be binding upon the parties hereto of the first and second parts, their successors and assigns.

In testimony whereof the parties hereto have caused this instrument to be duly executed and their respective seals to be hereunto affixed the day and year first above written.

THE NEW ENGLAND NAVIGATION CO.,
By _____, *President*.

Attest:

_____, *Secretary*.

SAFE DEPOSIT & TRUST CO., OF BALTIMORE
By _____, *President*.

Attest:

_____, *Secretary*.

[Exhibit A, referred to in the foregoing statement.]

MERCHANTS & MINERS' TRANSPORTATION CO.

COMMON-STOCK TRUST CERTIFICATES.

This is to certify that on the 1st day of May, 1932, or upon such other date as may be fixed for such delivery in accordance with the agreement hereinafter referred to _____ will be entitled to receive a certificate or certificates for _____ fully paid shares of the capital stock of the Merchants & Miners' Transportation Co. of the par value of \$100 each, and in the meantime to receive payments equal to the dividend, if any, received by the undersigned trustee upon a like number of such shares standing in its name; and until after such delivery of such certificates for shares of the capital stock of the Merchants & Miners' Transportation Co. said Safe Deposit & Trust Co., of Baltimore, trustee, shall possess and be entitled to all rights as a holder of said stock, including the right to vote, subject, however, to the limitations upon said rights and to all the terms and provisions imposed by the agreement hereinafter referred to; and it is expressly stipulated that no right to vote said shares of capital stock shall pass by or under this certificate; this certificate shall be transferable only on the books kept for this purpose by the said Safe Deposit & Trust Co., of Baltimore, trustee, by the registered holder either in person or by attorney, duly authorized, in accordance with such rules as may be established for that purpose by said trustee, and on surrender hereof and until so transferred the said trustee may treat the registered holder as the owner hereof for all purposes whatever, except that the delivery of such stock certificates hereunder shall be made only on the surrender of this certificate; this certificate is issued under and pursuant to the terms and conditions of a certain agreement dated the _____ day of _____, 1907, by and between the New England Navigation Co., Nathaniel W. James, and certain other stockholders of the Merchants & Miners' Transportation Co. and the Safe Deposit & Trust Co., of Baltimore, to which agreement for an accurate definition of the rights of the holder hereof reference is hereby made.

In witness whereof, the Safe Deposit & Trust Co., of Baltimore, has caused this certificate to be signed by its proper officers, and its corporate seal to be hereto affixed this _____ day of May, 1907.

SAFE DEPOSIT & TRUST CO., OF BALTIMORE,
By _____.

Mr. BUCKLAND. I may say, parenthetically, that after this trust agreement was signed the number of directors was increased from five to nine, and the navigation company thereupon had the right to nominate four, the other stockholders had the right to nominate four, and the ninth was to be agreed upon.

There is attached to that Exhibit A, which shows the ordinary form of a voting-trust certificate. I call your attention to this at this time, Mr. Chairman, in order to set forth the documentary facts in regard to our relation to the Merchants & Miners' Transportation Co. I understand, although I am not advised specifically upon that point, that the Safe Deposit & Trust Co. is under the control of the other stockholders, other than the New England Navigation Co., but I wish to say there is neither potential or actual control by the New York, New Haven & Hartford Railroad Co. or any of its interests, nor can there be until it shall have acquired 75 per cent of the stock of the Merchants & Miners' Transportation Co.

Now, this may be decided to-morrow. We have always regarded the Merchants & Miners' Transportation Co. as largely an extension of our line rather than a competitor of our line, but in answer to a question which was asked me a few minutes ago, I might say that the Merchants & Miners' is a potential competitor of ours, operating from common points such as Baltimore to points such as

Providence, in competition with the joint rail line of the Pennsylvania or the Baltimore & Ohio to ports in New England.

I have tried to cover the New England situation and tried to refer you to the documents which evidences our interests in these lines, and if there is any question I can answer I shall be glad.

(The committee thereupon took a recess until 2 o'clock.)

AFTERNOON SESSION.

The CHAIRMAN. Do you remember, Mr. Buckland, where you were in your statement at the close of this morning's session?

Mr. BUCKLAND. I had practically finished. There were only three matters to which I wished to call the attention of the committee very briefly.

The total amount which the New York, New Haven & Hartford Railroad has realized from the operation of the steamship lines, as hereinbefore set forth, has never exceeded an average of $3\frac{1}{2}$ per cent upon the investment. There have been from time to time statements made that the New York, New Haven & Hartford Railroad Co. had endeavored to monopolize the terminals in New England. I personally have had to do with the purchase of the large proportion of the wharf properties at which the New England lines or New Haven lines touch, and I state here, with the full conviction of its truth, that I can take the same amount of money which the New Haven system has spent in acquiring these wharves and go into any port now reached by the New Haven lines in New England and acquire other wharves of substantially equal value, both as to location and as to facilities, for the same or less money. That is a rather important statement, Mr. Chairman, and if there is any doubt in the committee's mind as to the truth of it, I shall be very glad, indeed, if the committee will look into it and determine it, because the statement has been made over and over again of this attitude and this determination on the part of the New Haven system, and I believe it is without foundation.

The CHAIRMAN. Is it a fact that the New Haven interests do control the terminals at this time—the wharves?

Mr. BUCKLAND. No, sir; it is not. They own wharves enough to take care of their business, but there are plenty of wharves; more wharves than they control.

The CHAIRMAN. Open to independent lines?

Mr. BUCKLAND. Open to any line which wishes to purchase or lease them.

The CHAIRMAN. The next question is, what good will it do to purchase these terminals if the traffic is controlled by the railroad and by the water lines?

Mr. BUCKLAND. Why, sir, if they purchased the terminals they have the same opportunity to do business that the New Haven steamship has to do business.

The CHAIRMAN. That would be from port to port, would it?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. But then a large part of the freight going over your water lines is freight that originates on your rail lines inland. Is it not?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Concentrated at these points?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. Which you absolutely control and send from the terminals to New York, or other ports, over your water lines?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. They would not get one pound of that freight, would they?

Mr. BUCKLAND. Not that freight; no, sir.

The CHAIRMAN. And you are also in a position to control a large part of the port to port traffic, are you not?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. So there would be very little left for independent lines, would there not?

Mr. BUCKLAND. On the contrary, the interstate commerce act provides that any person or corporation, having traffic interstate to tender to or receive from a railroad company, may have a connection with that railroad company, and the Interstate Commerce Commission has the power to require transportation, that is, a through route, and has the power to fix a rate over that line.

The CHAIRMAN. Yes; but all the freight originating on your railroad lines, destined for New York, is billed over your railroad and by one of your steamboats, is it not?

Mr. BUCKLAND. Now?

The CHAIRMAN. Yes.

Mr. BUCKLAND. I think that is the condition at the present time.

The CHAIRMAN. So that if there were independent lines in there, and although they might have the same right to the division of rates, that fact would make it of no value to them. In other words, they have no power to divert any part of the traffic concentrated at these terminals from your actual water line?

Mr. BUCKLAND. Certainly they have, sir; yes, indeed. The interstate commerce act provides a shipper may direct his routing.

The CHAIRMAN. Yes, he may; but the shipper is on your railroad and has no other means of transportation to the seaboard, and you are in a position to absolutely dictate to him what water line he shall select, are you not?

Mr. BUCKLAND. I beg your pardon. I think not.

The CHAIRMAN. I am asking you.

Mr. BUCKLAND. I do not think so. I think a shipper has the absolute right to direct his routing as he pleases.

The CHAIRMAN. He has the abstract absolute right, but from a practical standpoint it is of no value to him, is it?

Mr. BUCKLAND. That is a traffic matter which I can not answer definitely, but my impression is (subject to correction by our traffic people) that if an independent line would get out and hustle for business, as we do, they would probably get their share of the business.

The CHAIRMAN. If they had a local agent at every station on your road who would compete for business just like the local agent of the railroad does, and legitimately, any they were making a less rate from your terminal to New York, why, of course, I think that is true, but—

Mr. BUCKLAND (interposing). Of course, you would not expect an independent line to come in and simply say to the railroad, "We

want your business and we are going to have it," without getting out and hustling for it.

The CHAIRMAN. Of course not. What I wish to develop is simply, the conditions are such that the independent line, under those circumstances, does not have any show so far as the traffic originating on the line of your road and concentrated at the terminal is concerned; that you are in a position to absolutely control the traffic and dictate its routing from your rail terminals over your water line to New York.

Mr. BUCKLAND. I should not be inclined to agree with you, Mr. Chairman. I think we understand each other, though, as to just the facts. I am not inclined, however, to agree with your conclusion. If I were, I still think that we have not come to the point where we are so much interested in this country in developing competition, irrespective of what it results in, as we are of giving the public proper service at reasonable rates.

The CHAIRMAN. I do not wish you to understand me as criticizing your service or your rates.

Mr. BUCKLAND. No; I understand that.

The CHAIRMAN. For I do not know what they are. But I am simply saying that under existing conditions, the railroad and water line has decidedly the advantage.

Mr. BUCKLAND. I think only the advantage that any long-established standard industry has over any new person coming into the territory.

Mr. GREENE. Do you recollect the establishment of an independent steamship line from Fall River, at the foot of Turner Street, next to Cook, Borden Co.'s lumber yard, a few years ago?

Mr. BUCKLAND. What was the name of the line?

Mr. GREENE. I am trying to think of the name. It was a Worcester concern which established it. I am trying to recall what it was. I can not recall the name. You will recollect, however, there was one established there at the foot of Turner Street, just a little way from the Fall River station, an independent steamship line running to New York daily?

Mr. BUCKLAND. I do not recollect it. Mr. Campbell probably would.

Mr. GREENE. He knows there was. And they ran there at very much lower rates by water than your road. Do you recall that the New York, New Haven & Hartford Railroad bought some water front next north of that line but one—there was a little lumber yard between—and they established a line of steamships very much larger than the line that was running and cut their prices down to and, I think, below what the competing line was charging, and ran two large steamers of your line from that wharf?

Mr. BUCKLAND. You ask me if I know that?

Mr. GREENE. Yes.

Mr. BUCKLAND. I do not.

Mr. GREENE. Whitcome was the man's name, from Worcester, and the line was the Enterprise Steamship Co., and it had a large amount of freight traffic from Fall River at one time.

The CHAIRMAN. And what happened to it?

Mr. GREENE. The New Haven Co. bought property next but one north of that and built a wharf hurriedly and put on two large

steamers. The usual price from Fall River in wintertime was \$2 to New York, and in summer \$3. This line charged \$1 for passengers, and freight was a great deal less than their charges. The New Haven Co. put on this other line with two large steamers and cut the prices to, at least, \$1, and I am not sure but what it was 75 cents; at any rate they ran them out entirely and then discontinued their line. That was before the Interstate Commerce Commission compelled them—

The CHAIRMAN (interposing). And restored their rates?

Mr. GREENE. I do not know anything about what they have been doing since, or what they did at the time.

Mr. BUCKLAND. Mr. Greene, this statement is subject to correction, because it is only my recollection of it. My recollection is we have never lowered the price on our Fall River line.

Mr. GREENE. I know—

Mr. BUCKLAND (interposing). I understand. I think we have met the price of other lines. I do not know of any instance where we have cut under those prices.

Mr. GREENE. I am not sure, but it certainly was not any higher than the other line, and, I think, it was lower.

Mr. BUCKLAND. My recollection is we have attempted to retain that business by meeting those prices, but I do not know. There is one other point to which I wish to direct your attention.

Mr. GREENE. There are no boats going out from that dock now—that you bought. The boats are tied up there, but there are none going out and have not been since the Enterprise Line withdrew in despair.

Mr. BUCKLAND. I do not know the line; I am not familiar with the situation, as you probably are. I did not know there were any boats tied up in Fall River. I supposed all our boats were at Newport at the shops. I did not know we had any tied up.

Within the last few years a physical valuation of our property has been made. It was first made by our own representative, Mr. John F. Stevens, who was at one time associated with the Isthmian Canal, and afterwards and later by a commission appointed by the legislature of the State of Massachusetts for that purpose. We have, for the two and one-half years ending December 30, 1911, endeavored to segregate the revenues and operating expenses derived from and applicable to our freight, passengers, mail, and express business, and it shows upon a basis of a 6 per cent profit for doing the business, a deficit in the revenue from freight approaching \$6,000,000 per year. That includes, of course, the revenues which come from the water lines. I wanted to state that fact in order that this question of high rates and extreme prices might be met.

The CHAIRMAN. Do not understand me to suggest that they are high, because I am not familiar with them at all.

Mr. BUCKLAND. I understand, but I wished at this time to make that statement.

The CHAIRMAN. You say there was a deficit of \$6,000,000 in the handling of freight. Where is that deficit made up on that traffic?

Mr. BUCKLAND. The deficit is not made up.

The CHAIRMAN. Do you mean to say that the road is being operated at a net loss every year?

Mr. BUCKLAND. Operated at a net loss every year on the physical valuation of its property, but not on its capitalization. Its capitalization is \$100,000,000 less than its physical valuation.

The CHAIRMAN. Was that made by Mr. Stevens?

Mr. BUCKLAND. No; by the Massachusetts Valuation Commission.

Mr. HARDY. That is on a 6 per cent basis, is it?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. What was your valuation?

Mr. BUCKLAND. Our valuation, in round numbers was \$500,000,000.

Mr. HARDY. How long has the company taken to accumulate that \$500,000,000?

Mr. BUCKLAND. Do you mean how long has it taken to acquire property of that value?

Mr. HARDY. Yes.

Mr. BUCKLAND. Well, it would be hard to say, because our first company was started in 1832 or 1833.

Mr. HARDY. What was your valuation then?

Mr. BUCKLAND. I have not any idea.

Mr. HARDY. What I do not understand is the way these transportation companies nearly all figure. They can figure themselves out at a loss, but somehow or other they are continually increasing and becoming bigger and bigger and with greater and greater capital.

Mr. BUCKLAND. I am not figuring it. It was figured by the Massachusetts commission to determine whether our securities were proper savings bank investments.

Mr. HARDY. What I am saying is, however, that it is figured you can demonstrate a loss yearly, but nevertheless the thing keeps growing bigger and bigger.

Mr. BUCKLAND. Well, Mr. Hardy, this is a fact. If you will examine the reports of the railroads to the Interstate Commerce Commission year after year you will find that for every dollar of increased gross earnings the railroads are spending, in order to keep up with the facilities, from \$3 to \$5 of new money. It is absolutely essential that we shall continue to increase our capital investment if we are to keep pace with the demands for transportation.

Mr. HARDY. Do you not think your company, organized as it is, is better able to make an earning than a company like some of these newly-organized ship lines that go into the business on chartered vessels, largely? That you can earn a better dividend than they can?

Mr. BUCKLAND. Perhaps a better dividend on our capitalization, but if physical valuation means anything, and there seems to be a very considerable demand for physical valuation, I doubt if we can make as good a return upon the value of the property as one who does not invest so much capital. For instance, if an itinerant vendor of clothes or some other similar commodity comes to your town and rents a little shack, he can sell his goods at a very much lower price, temporarily, than a man that stays there and pays his taxes and takes the lean with the fat. Now we, who have been there all these years; who have taken the lean with the fat, probably upon our physical valuation can not make any return equal to the man that can buy up two or three more or less dilapidated ships that have run on Long Island Sound and take the business.

Mr. HARDY. For instance, we had a gentleman here, Mr. Curtis, who told us he organized a company a few years ago with a capital stock of, I believe, \$100,000, and actually paid in \$15,000 of it in money, and the stock of that company was held by another company, and they leased him chartered boats, and they now have an actual asset value of \$100,000, and he had been sort of running without all of these advantageous connections that you have. I suppose, upon his figures of valuation, he might still show he was not making 6 per cent, but it seems to me this general condition occurs. That these combinations grow bigger and bigger and wealthier and wealthier as the years go on, yet pin them down to any particular time and they can show there was a loss of millions of dollars a year on the basis of 6 per cent interest on the fair valuation. That is what I do not understand.

Mr. BUCKLAND. I think the figures are capable of demonstration, the physical valuation which I used as a basis, not capitalization. The physical valuation which I used as a basis would indicate beyond any question we are not earning 6 per cent.

The CHAIRMAN. If that is true it would show, or tend to show, your roads are not over capitalized?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. It would show that the capital was less than the physical valuation?

The CHAIRMAN. Yes. Now, what rate do you earn on your capitalization?

Mr. BUCKLAND. We have been trying to earn 8 per cent. We have not quite done it the last two or three years. Our road has paid 8 per cent for several years.

The CHAIRMAN. Take the earnings out of the traffic, passenger, and freight receipts, a large sum is set aside for betterment, improvements, extensions, and all of that before dividends are declared, is not that true?

Mr. BUCKLAND. No, sir.

Mr. HARDY. We always find that your expense account does not include the items of permanent improvement.

Mr. BUCKLAND. I think we are not permitted to include them in our accounts at the present time. It may be, and probably is, that a very large amount of earnings were put into permanent improvements before the days of the Interstate Commerce Commission's accounting requirements, which accounts in some measure for the surplus value of the property over the capitalization.

Mr. HARDY. Have I caught your meaning, in effect, when I understand it that you lack \$6,000,000 of making 6 per cent of interest on the valuation, the physical valuation of your property, yet you are giving somewhere near 8 per cent profit on the capitalization of the property?

Mr. BUCKLAND. Not quite that; no. I said, that segregating the freight revenues and the operating expenses and fixed charges fairly applicable to those revenues, the freight revenues show a deficit of \$6,000,000.

Mr. HARDY. What does the whole revenue show, if you box it around and can fix it any way?

Mr. BUCKLAND. We show more than 6 per cent on our passenger business. We show a loss of between \$600,000 and \$700,000 a year

on the carriage of the mails, and show (my recollection is) something like \$300,000 or \$400,000 profit on the carriage of express.

Mr. HARDY. Now, put the whole thing together—all of your service and all of the income of it—and on the basis of the physical valuation which you have made, what is your return? Is it more or less than 6 or 8 per cent, and is it profit or loss?

Mr. BUCKLAND. My hesitation is due to the fact that I have not the figures here before me, but I will furnish them for the record.

Mr. HARDY. As a going concern the point of interest is, what is your final balance.

Mr. BUCKLAND. Our final balance shows a very considerable deficit on our physical valuation.

Mr. HARDY. Do you mean to say that, taking all sources of income—passenger, express, mail, and freight—your final balance shows a deficit on the basis of 6 per cent on your physical valuation?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. Do you know how much deficit?

The CHAIRMAN. He said he would furnish that.

Mr. BUCKLAND. I said I would give you the exact figures on that point.

Mr. HARDY. If that be the case—if your final balance shows a deficit on the basis of 6 per cent of your physical valuation—how is it that you expect or endeavor or hope to have an 8 per cent profit on capitalization?

Mr. BUCKLAND. I have endeavored to show you our capitalization was very much less than the physical valuation.

Mr. HARDY. How much less?

Mr. BUCKLAND. \$104,000,000.

Mr. HARDY. That would make your capitalization about \$396,000,000, would it not?

Mr. BUCKLAND. I think that is it.

Mr. HARDY. While your physical valuation would run up to \$500,000,000?

Mr. BUCKLAND. Yes; in round numbers. Do not hold me down to a million or two of dollars.

Mr. HINDS. How about your bonds?

Mr. BUCKLAND. That includes the par value of our capital, whether it be stock or bonds or bonus.

Mr. HINDS. But that is 4 per cent of it.

Mr. BUCKLAND. Of course, 4 per cent would aid in the making of the larger amount—in the making of our capitalization.

Mr. AYRES. Your capitalization, consisting of stocks and bonds and bonus, has increased very materially under the present management, has it not?

Mr. BUCKLAND. Yes.

Mr. AYRES. In fact, threefold since the present management took charge?

Mr. BUCKLAND. Possibly; I do not recall the figures.

Mr. AYRES. That greatly increased valuation has been brought about and used for the purpose of acquiring all the competing lines, not only the water transportation, but also all the rail and trolley lines and all electric lines running out of New York into your territory, has it not?

Mr. BUCKLAND. No; not quite that. There have been no competing trolley lines.

Mr. AYRES. Does not the New Haven now practically own all the trolley lines running along the Sound; have they not acquired them in one form or another?

Mr. BUCKLAND. They do not own any trolley lines west of New Rochelle, excepting a line running to Tarrytown, N. Y. They own no lines or any interest in trolley lines running into New York City.

Mr. AYRES. Let me call your attention to one line, the New York, Westchester & Boston High Speed Electric Line, terminating now at One hundred and twenty-ninth Street. Your people acquired that, did they not?

Mr. BUCKLAND. We built it.

Mr. AYRES. But you acquired the stock at one time, did you not?

Mr. BUCKLAND. We acquired the charter and built it.

Mr. AYRES. But that road does not pay anything now on its capitalization or on its cost, does it?

Mr. BUCKLAND. Yes.

Mr. AYRES. And probably—I am only asking you—you have acquired that for the sake of controlling the future traffic that line may cover?

Mr. BUCKLAND. No; I do not think so. I am quite familiar with that situation down there. We are under the necessity of handling our suburban traffic into New York City under an agreement with the New York & Harlem Railroad Co., made in 1848, which assesses a toll upon every passenger taken into the Forty-second Street Station, and which also assesses a pro rata proportion of the expense of the Forty-second Street Terminal.

Now, that toll and that proportion is rather burdensome and we do not get a new 5-cent piece for the old one on the carrying of commutation passengers. We had figured and hoped and still hope that by avoiding the Forty-second Street Terminal and landing our passengers where they can take the subway at West Farms or One hundred and twenty-ninth Street, or wherever it may be, instead of taking it at Forty-second Street, that we shall be able to relieve ourselves of a very large expense, which will help us to maintain—which will reimburse us for the cost of building this New York, Westchester & Boston line.

Mr. AYRES. But had your company not just entered into a new long-time contract with the New York & Harlem Railroad Co. for a continuation of your old contract?

Mr. BUCKLAND. No, sir.

Mr. AYRES. Is that terminable?

Mr. BUCKLAND. It never was terminable.

Mr. AYRES. You are still using that terminal, are you?

Mr. BUCKLAND. The arrangement between the New York & Harlem Railroad Co. and the New York & New Haven Railroad—you notice I use the name New York & New Haven Railroad and not New York, New Haven & Hartford Railroad—provided that, in consideration of a loan which the New Haven road made to the New York & Harlem prior to 1848 for the purpose of enabling that road—the New York & Harlem—to build an additional track from Williams Bridge down to Center Street, New York, that the New York & New Haven and any road with which it might combine should have the potential right to haul all of its traffic over all the lines of the New York & Harlem road from Williams Bridge to New York City

wherever they might be. That right still exists just as it was in 1848. And in consideration we are required to pay a certain toll upon passengers purchasing local tickets and a certain other toll on passengers coming in on commutation tickets. Now, in addition to that we agreed in 1873 with the New York & Harlem and the New York Central, which in the meantime had acquired and leased the New York & Harlem subject to our agreement of 1848, that we would go in with those two roads in the building of the Grand Central Terminal, and we did make what was called a tripartite lease in which each road agreed to assume that proportion of the expense of the Grand Central Terminal that its traffic bore to the total traffic going into and out of the terminal. That agreement—I think that is what you must have reference to, not the agreement of 1848—in reference to the management of the Grand Central Terminal, was renewed two or three years ago, and there we still retain the right to enter the Grand Central Terminal upon paying a proportion based upon the business which we put into the terminal. It is very clear, then, that if the New York, Westchester & Boston will let us take some of that business out of the terminal we shall be relieved of that proportion.

Mr. AYRES. And you would get a better terminal down town?

Mr. BUCKLAND. I hope so.

Mr. AYRES. Would you be willing to furnish the committee a map of the shore line and the wharves at Bridgeport, for instance, showing the properties owned, either directly or indirectly, by the New York, New Haven & Hartford and its controlled lines?

Mr. BUCKLAND. I would be very glad to.

Mr. AYRES. And also designating on that such wharves as are owned by the city, and such wharves as can possibly be used advantageously by any independent lines?

Mr. BUCKLAND. Yes. I was unfortunate enough at the hearing before the Committee on Inter-oceanic Canals to make a statement which was rather too broad in regard to our ownership at Bridgeport. I said at that time that the New Haven road, by reason of its line running into Bridgeport Harbor, monopolized the Bridgeport Harbor front.

Mr. AYRES. That has been often claimed by the Bridgeport people, that they have not any opportunity to get out or in except by your grace.

Mr. BUCKLAND. Yes; it has been repeated on the floor of the Senate, and my statement was referred to as substantiating that claim. I inadvertently assumed that the people I was talking to knew Bridgeport. If you have gone through Bridgeport you will know that the harbor is the mouth of a tidewater river, upon the north or east side of which the tracks of the New Haven road run and have run for many years.

Incident to the abolishment of the grade crossings in Bridgeport the New Haven road acquired a large portion of the water front of that city—not all of it, but all of it near the center of the city. The New Haven road owns nothing, or practically nothing, on the other side of the river, which is reached by a comparatively short bridge—perhaps 150 feet long—and is entirely available. The city of Bridgeport came to me some two or three years ago and said that they

would like to acquire some water front on the north or west side—that is, where our tracks run—for a public wharf. I told them they could have—as long as they left us enough for our Bridgeport steamers, which was perhaps two or three hundred feet—practically anything they wanted, at a price which should be fixed by two real estate men from Bridgeport, one chosen by myself and one chosen by the mayor, and if they could not agree they could choose a third.

Mr. AYRES. They have never accepted that?

Mr. BUCKLAND. They have never accepted that. I am glad you have given me an opportunity of stating what I had stated too broadly on page 432 of the report of the hearing before the Committee on Inter-oceanic Canals.

Mr. HARDY. I understood you just now to say that you made a loss on the physical valuation of \$6,000,000 per annum on that property?

Mr. BUCKLAND. I said from our freight earnings.

Mr. HARDY. Well, I will take that all back, then. But I believe you said you made a loss from all sources on that 6 per cent basis.

The CHAIRMAN. What do you mean by a 6 per cent basis?

Mr. BUCKLAND. Six per cent on the physical valuation.

Mr. HARDY. Six per cent on the physical valuation. They did not make that much on the physical valuation?

Mr. BUCKLAND. I believe that is true.

Mr. HARDY. But that you were making about 8 per cent profit on the capitalization?

Mr. BUCKLAND. I said they did—approximating that.

The CHAIRMAN. Right at that point, based on the physical valuation, was there a profit from all your sources of revenue; and, if so, what was the profit?

Mr. BUCKLAND. I did not carry the figures with me, sir. There was a profit on our passenger and express business. There was a loss on our mail and freight business.

The CHAIRMAN. Was there not a profit on your total business, based on physical valuation of the property?

Mr. BUCKLAND. I think not. Mr. Campbell, do you remember?

Mr. CAMPBELL. Five and a half million deficit.

Mr. BUCKLAND. Five and a half million deficit.

Mr. HARDY. Then there is five and a half million instead of six million deficit, based on the 6 per cent estimate?

Mr. BUCKLAND. Yes.

Mr. HARDY. And yet you made a profit of 8 per cent on the capitalization, which, I understand, was \$104,000,000 less than the physical valuation?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. Now, I have just made a little calculation. \$500,000,000 at 6 per cent would give you \$30,000,000 profit. Take your loss of nearly \$6,000,000 off and that would leave you \$24,000,000. On the other hand, 8 per cent on \$396,000,000 would make you \$31,000,000 profit, so if you make anything like 8 per cent on your capitalization you can not make a loss—

Mr. BUCKLAND. Oh, yes, we can; because we have other revenues.

Mr. HARDY. There are the figures—

Mr. BUCKLAND. If you are figuring that all of our revenues come from passengers, mail, freight, and express, you are correct; but that is not all our revenue.

Mr. HARDY. I asked what were your profits and losses based on all sources of revenue.

Mr. BUCKLAND. I do not know; I have not the figures with me.

Mr. HARDY. What other sources have you except freight, passengers, express, and mail?

Mr. BUCKLAND. Street railways, electric lighting companies.

Mr. HARDY. Now, then, when you go to figuring that up, in your proportional arrangements with street railways, electric lighting companies, and other things—that is a sort of division of income from all different sources, isn't it?

Mr. BUCKLAND. I do not think I follow your question.

Mr. HARDY. I mean, as a matter of bookkeeping, if you have a dozen different enterprises it is hard to tell sometimes where the profits and where the losses apply.

Mr. BUCKLAND. Oh, no; they are absolutely independent.

Mr. HARDY. You have no connection between all these subsidiary properties?

Mr. BUCKLAND. Substantially none.

Mr. HARDY. Do you mean to say that with street railways, utilities companies, lighting companies, and all that, you have only a capitalization of \$396,000,000, while your physical valuation of the railroad and steamship lines alone amounts to \$500,000,000?

Mr. BUCKLAND. No; I think that physical valuation includes our entire property.

Mr. HARDY. That includes your entire property?

Mr. BUCKLAND. Yes.

Mr. HARDY. Now, what is the capitalization of the railroads and steamship lines alone?

Mr. BUCKLAND. I do not know, but that is not very essential, because the physical valuation and the capitalization are based upon the same thing.

Mr. HARDY. What is the entire capitalization of all these subsidiary companies—the whole thing that is owned by the New York, New Haven & Hartford Railroad Co.?

Mr. BUCKLAND. I do not think I can give you the figures. The capital stock of the New Haven road, I think, is, or was at that time, about \$120,000,000, was it not, Mr. Campbell?

Mr. CAMPBELL. I would not undertake to answer with a great deal of accuracy. I think the physical valuation of all the properties was \$700,000,000.

Mr. BUCKLAND. I do not think so.

Mr. CAMPBELL. I think the capital stock of the New Haven road is \$107,000,000. The bonded indebtedness I am not clear on. Have you the Commerce Commission reports or Poor's Manual?

Mr. BUCKLAND. Here is the report of physical valuation.

Mr. HARDY. Can you insert in your answer right at this point, in your revision of these remarks, the total physical valuation of all the property controlled by the New York, New Haven & Hartford, including steamship lines, street car lines, electric lighting plants, and everything else that that company practically in effect owns, and also a statement showing the total capitalization?

The CHAIRMAN. We have not the time now. You may look it up and incorporate it in your answer.

Mr. BUCKLAND. I am quite confident that Mr. Campbell is in error.

Mr. HARDY. What I wanted was the total physical valuation of your properties and the capitalization of your total properties.

The CHAIRMAN. He can furnish that later.

Mr. BUCKLAND. I will do that. I would say, for the purpose of leaving that on the record, that what I have quoted from is on pages 135, 136, and 137 of the report of the joint commission of the State of Massachusetts on the New York, New Haven & Hartford Railroad Co., 1911.

The CHAIRMAN. The fact that the capitalization of your lines does not equal the valuation of your physical properties simply proves that in years past a large part of the earnings of the properties has gone into improvements and betterments?

Mr. BUCKLAND. And possibly some increased values of terminals due to the general increase in property values.

Mr. AYRES. Very largely that, is it not?

Mr. BUCKLAND. I do not think so. For instance, the four-tracking between New York and New Haven was in large measure done out of the operating revenues. But you can readily realize the enormous increase of values in the Forty-second Street Terminal.

I will give you the figures, quoting from page 137:

Total liabilities valued at \$394,147,563.63.

Mr. HARDY. Does that include the liabilities of these subsidiary companies also?

Mr. BUCKLAND. The adjusted surplus, \$101,612,074.38; total valuation, \$495,759,638.01.

Mr. HARDY. That includes the indebtedness and capitalization of your subsidiary companies also?

Mr. BUCKLAND. I believe so; yes, sir.

Mr. HINDS. Your bonds, what is the rate—

Mr. BUCKLAND. It runs all the way from $3\frac{1}{2}$ to 6 per cent. The greater part of it is around 4 and $4\frac{1}{2}$ per cent, I should think.

Mr. HINDS. And what is the proportion of the whole, bonds and stock together?

Mr. BUCKLAND. In round numbers, speaking generally, perhaps \$150,000 stock and \$250,000 bonds.

Mr. HARDY. It seems to me that probably, its bonded indebtedness bearing a lower rate of interest would help account for the high dividend the past year on your stocks.

Mr. BUCKLAND. That may be, sir.

Mr. HARDY. Of course, you get the benefit of the difference between 6 and $3\frac{1}{2}$ or 4 per cent?

Mr. BUCKLAND. You are getting into accounting matters, which are perhaps a little over my head.

Mr. HARDY. It is very evident if you give a capitalization consisting of bonds and stocks, the bonds can not draw any more than that rate of interest, whereas if there is a profit on the basis of the total capitalization the stock would get the balance of that profit, so it might have 8 per cent while you did not have 6 per cent—

Mr. BUCKLAND. That is a mathematical result which I can not deny.

Mr. HARDY. That is something I thought of when I was asking you those questions a moment ago. What water lines have been acquired by the New York, New Haven & Hartford, as water lines, and not as a part of railroad lines?

Mr. BUCKLAND. Hartford and New York Transportation Co. with the lines which it operates. I spoke of the lines which it operated to Hartford and to Providence. I am not sure when we acquired it whether they operated a line to Bridgeport or not. It is immaterial. The Bridgeport Steamboat Co.; the New Haven Steamboat Co.—I think that is all.

Mr. HARDY. Now, what lines have you bought and subsequently discontinued?

Mr. BUCKLAND. I do not recall any.

Mr. HARDY. Did you own the New Haven Steamboat Co.?

Mr. BUCKLAND. Yes, sir; and we are still operating it.

Mr. HARDY. Was it dissolved in 1905?

Mr. BUCKLAND. Oh, yes; the corporation was dissolved and merged with a part of the New England Steamship Co., but the line is operated.

Mr. HARDY. That corporation and the Bridgeport Steamboat Co.?

Mr. BUCKLAND. Yes.

Mr. HARDY. Did you purchase the Boston & Merchants' Line?

Mr. BUCKLAND. My recollection is we established that line ourselves. We did not purchase it; we put on that line ourselves.

Mr. HARDY. Did you establish that in about 1906 when the Morse interests had gotten the Metropolitan Steamship Co.?

Mr. BUCKLAND. I do not recollect the time we established it. I know Morse was endeavoring to acquire and consolidate all the lines on the Atlantic coast, but he did not have the lines controlled by the New Haven road, and did not have the Merchants & Miners.

Mr. HARDY. This report of the commissioner says that you established that line in 1906. The Merchants' Line was admittedly run at a loss by the New Haven, and was withdrawn when the Metropolitan withdrew its passenger boats.

Mr. BUCKLAND. I have a very vivid recollection that it was run at a loss. I do not think it was withdrawn at the time that the boats which had formerly been owned by Mr. Morse were withdrawn, because my impression is that the *Yale* and *Harvard* ran for some time afterwards. I do not believe, in other words, that it disappeared with the disappearance of Mr. Morse.

Mr. HARDY. But shortly afterwards, did it not?

Mr. BUCKLAND. No; I think it was quite a long time before the *Yale* and *Harvard* were taken off.

Mr. CAMPBELL. I think the Boston & Merchants' Line was established in 1908.

Mr. HARDY. This report says 1906.

Mr. BUCKLAND. I would like to have you inquire of Mr. Campbell, because he is more familiar with it than I.

Mr. HARDY. As a matter of fact, has it been your policy when a line started up to run it out by underbidding it and putting lines in competition?

Mr. BUCKLAND. No, sir. But it has been our policy when we have established by good will and standard service, a satisfactory condition, to meet the competition that came into that trade.

Mr. HARDY. But this line was running where you did not have any line at that time, was it not?

Mr. BUCKLAND. The Boston & Merchants' Line?

Mr. HARDY. Yes.

Mr. BUCKLAND. Mr. Campbell knows all about it. I wish you would wait until he goes on the stand and ask him.

**TESTIMONY OF MR. CHARLES C. GOODRICH, VICE PRESIDENT
HARTFORD & NEW YORK TRANSPORTATION CO., HARTFORD,
CONN.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Please give us your name, address, and business connections.

Mr. GOODRICH. Charles C. Goodrich, Hartford, Conn., representing the Hartford & New York Transportation Co.

The CHAIRMAN. I did not understand what your official relation to the Hartford & New York Transportation Co. is.

Mr. GOODRICH. Vice president.

The CHAIRMAN. How long have you been connected with that company?

Mr. GOODRICH. Five years, as near as I can remember.

The CHAIRMAN. Prior to that time what was your business?

Mr. GOODRICH. My business had been transportation for 40 years.

The CHAIRMAN. In what service?

Mr. GOODRICH. Coastwise, from the beginning, many years back to the era of steamboat navigation, and recently from Mr. Morse's time forward to the present time, in connection both with rail and steamer.

The CHAIRMAN. This line is one of the lines that is owned by the New York, New Haven & Hartford Railroad Co.?

Mr. GOODRICH. It is; they own the stock.

The CHAIRMAN. Now, Mr. Buckland gave us some figures here with reference to the tonnage handled by the water lines to and from New England points. In 1911, as I understood him, the tonnage was 32,637,513 short tons, of which the New Haven system handled 1,909,684 tons, or about 5.7 per cent. In 1912 the total tonnage was 33,560,653 tons, of which the New Haven lines handled 1,956,537 tons, or 5.8 per cent.

Now, I would like for you to tell the committee what part of the total tonnage handled by the water lines in 1911 and 1912 was coal to New England ports.

Mr. GOODRICH. Taking the Portland, Me., district and the Boston district, and the Newport, and the New London district, and taking the United States engineers' reports from each district, and taking the coal separately from each district—from 25,000,000 to 27,000,000 tons of that was coal; I think I may say from 25,000,000 to 28,000,000.

The CHAIRMAN. Where did that traffic originate?

Mr. GOODRICH. That traffic originated at all the coal ports in New York and going south to South Amboy, in New Jersey—seven or

eight of the great coal ports, and also Philadelphia, Baltimore, and Norfolk, Va.

The CHAIRMAN. What percentage of that coal was carried by the New Haven lines?

Mr. GOODRICH. By the New Haven line proper—for I regard the company that I act for as separate from them—I could not attempt to say, but exceedingly small. That portion which the Ontario & Western might have carried in their own barges—the portion that my line carried was about 380,000 net tons; from 380,000 to 394,000.

They may have carried perhaps that amount by the Ontario & Western, and yet I do not know that. Mr. Campbell could answer that.

The CHAIRMAN. Was that coal consumed entirely by your own properties?

Mr. GOODRICH. No, sir; it was not. It was consumed by ourselves and others. I might say a word there in explanation, because you asked me whether it was all consumed by ourselves. I would say that the total amount which the Hartford & New York Transportation Co. carried in a year was not as great as the amount that would be consumed by the New York & New Haven industry in their enterprises. They consumed twice the amount I carried, and carried it by others, who were independent carriers.

The CHAIRMAN. Then, what part of this 32,637,513 short tons of traffic carried by the water lines in 1911 was what you might call local traffic; that is, from New York to New England ports, or from New England ports to New England ports, or to New York?

Mr. GOODRICH. This was all carried from New York to New England ports and the portion which my line carried was slightly scant of 4,000 net tons, to which I might have added the small amount carried by the Ontario & Western barges.

The CHAIRMAN. That accounts for about 28,000,000 short tons. So that if the New Haven system carried 1,909,684 tons in 1911 and 1,956,537 tons in 1912, you have carried approximately 50 per cent of the balance of that tonnage?

Mr. GOODRICH. Let me see if I understand you. Of the 27,000,000 tons they carried, not 6 per cent of that, but perhaps 2 per cent of that; 6 per cent, if I understand you, of the whole amount that was carried, of the 32,000,000 tons.

The CHAIRMAN. According to the statement made by Mr. Buckland the New Haven interests carried only 5.7 per cent of the total of 32,637,513 short tons. Now, these coal-carrying roads, like the Pennsylvania, and Lehigh, and the Reading, and the Tidewater Line, carried about 28,000,000 tons of that 32,000,000 tons of coal?

Mr. GOODRICH. I should say so.

The CHAIRMAN. Distributed along at ports in New England?

Mr. GOODRICH. Yes, sir; that much, or more.

The CHAIRMAN. That is, the Hartford lines did control at least 15 per cent of the traffic or the tonnage that originated in New England and was carried from New York to New England ports? Isn't that true?

Mr. GOODRICH. Did control it?

The CHAIRMAN. Carried it.

Mr. GOODRICH. No, sir; not the slightest portion of it; not a million tons of it; not three-quarters of a million tons of it—

The CHAIRMAN. Excluding coal—

Mr. GOODRICH. I say of the coal.

The CHAIRMAN. I want to eliminate the coal.

Mr. GOODRICH. Oh, I could not tell you what those other lines carried in merchandise. I have not the slightest connection with them.

The CHAIRMAN. Take the Hartford & New York Transportation Co., of which you are the vice president. What per cent of the package freight does it carry from New York to the points where your lines run?

Mr. GOODRICH. We carried last year 80,000 tons of the package freight against somewhere near 400,000 net tons of the coal freight—

The CHAIRMAN. But how much of the package freight in proportion to the amount carried by independent lines, or other lines than those controlled by the New Haven Railroad interests?

Mr. GOODRICH. Into Long Island Sound, do you mean?

The CHAIRMAN. Yes.

Mr. GOODRICH. Well, it is very minute; it is exceedingly minute; from 60,000 to 70,000 net tons. We are only open eight months in the year at that port—eight to nine months in the year. We carry very little. There are other lines that will carry more than that, other independent lines that will carry more than we carry on that line, taking in the division I am speaking of here where all our coal goes, for we carry no coal to other ports.

The CHAIRMAN. Eliminate the coal entirely. Just take package freight.

Mr. GOODRICH. Package freight—67,000 to 70,000 tons to the Connecticut River ports—all the ports, 17 of them.

The CHAIRMAN. What other water lines compete with you in that trade to those points?

Mr. GOODRICH. There are no other lines, taking the whole length of the Connecticut River, excepting this line. The other business is all done by tramp ship. The Standard Oil does some business there in oil, and the Windsor Cement Co., from the Bay of Fundy, tramp vessels come in and do all classes of work—brick, tiles, sewer tiles, lumber, and things of that sort—but there is no regular daily line on the Connecticut River except the one which I operate.

The CHAIRMAN. That is what I wanted to find out.

Mr. HARDY. I would like to ask if there is any other heavy freight that comes south from the New England coast that is brought back by these coal vessels?

Mr. GOODRICH. No, sir; not at the present time. Up to some ten years ago there was nearly a quarter of a million tons of brown stone from the brown stone quarries on that river that was carried to New York and to all ports adjoining, but that has practically all disappeared. We have not carried a thousand tons of it in the last year.

Mr. HARDY. What do these coal vessels bring back with them?

Mr. GOODRICH. Nothing, sir.

Mr. HARDY. They have no heavy freight to bring back?

Mr. GOODRICH. No, sir; no freight of any character. They go light one way.

The CHAIRMAN. Taking the whole New England coast together what proportion of the entire traffic is controlled by the Hartford Railroad interests?

Mr. GOODRICH. I have never been connected with the railroad interests enough to answer a single question, Mr. Chairman. I would be glad to do so if I knew, but I should be treading on ground that is all new to me.

Mr. HARDY. One other question. Do those vessels which deliver 27,000 or 28,000 or 29,000 tons into the New England cities carry any other heavy material at the time with the coal?

Mr. GOODRICH. No, sir; they do not. It is purely coal. I know of none which bring freight back except those going beyond the New England coast and going up to the Bay of Fundy, which come back loaded with the Windsor Cement Co.'s products from Windsor, Nova Scotia, otherwise I guess 99 per cent come back stark light.

The CHAIRMAN. Is there anything else, Mr. Goodrich? [After a pause.] If not, Mr. Campbell will be sworn.

Mr. BUCKLAND. May I make a suggestion in the interest of accuracy? The data which we obtained, as I said, were from a report of the Chief of Engineers, United States Army, and in that he under "Questions of improvements of harbors," states the business in and out of the harbor and segregates it by that; for instance, Weymouth Harbor, coal, lumber, brick, stone, burlap, steel, lead, iron, oil, fertilizer, lime, cement, clay, and gives the tonnage of each. I can have my assistant segregate that total so that there will not be any question as to just what the amounts are.

The CHAIRMAN. My point in developing what proportion of it is coal, from these different districts mentioned by Mr. Goodrich, was to show that your figures did not disprove the correctness of Mr. Conant's report.

Mr. BUCKLAND. The very point I am getting at is this: From a casual inspection of this I think there is a considerably larger amount of other items contained in the Chief Engineer's report.

The CHAIRMAN. I would be glad if we could have that.

Mr. BUCKLAND. That can be segregated, and should be in the interest of exact truth.

The CHAIRMAN. We would be glad if you would segregate them.

Mr. BUCKLAND. I will have that segregated for you.

Statement furnished by Mr. E. G. Buckland showing the tonnage (net tons) and freight earnings of the New England Steamship Co. segregated by lines and as between local and through for the calendar year 1912.

	Local.		Through.		Total.	
	Tons.	Freight charges.	Tons.	Freight charges.	Tons.	Freight charges.
New Bedford Line.....	78,873	\$195,095.03	170,386	\$273,752.22	249,259	\$368,847.25
Norwich Line.....	11,871	34,920.69	150,165	228,179.60	162,036	263,100.29
Fall River Line.....	125,760	334,470.79	170,177	312,741.46	295,937	647,212.25
Fall River Line via Hudson River.....			37,746	20,506.52	37,746	20,506.52
Providence Line.....	79,396	173,081.92	223,129	303,613.06	302,525	476,694.98
New Haven Line.....	71,443	138,934.96	226,753	228,065.19	298,196	367,000.15
Bridgeport Line.....	80,411	154,526.93	23,065	23,996.74	103,476	178,523.67
Newport & Wickford Line.....	504	694.32	151	324.26	655	1,018.58
New Shoreham Line.....	9,270	19,223.43			9,270	19,223.43
Block Island Line.....	321	805.44			321	805.44
Total.....	457,849	1,051,753.51	1,001,572	1,321,179.05	1,459,421	2,372,932.56

NOTE.—The December, 1912, figures embraced in the above are based on the new percentages, the balance of the figures on the old percentages.

TESTIMONY OF BENJAMIN CAMPBELL, VICE PRESIDENT, NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO., OF NEW HAVEN, CONN.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Do you wish to make a preliminary statement, Mr. Campbell? If so, you may do so. First, give your address to the stenographer and your business connections.

Mr. CAMPBELL. Benjamin Campbell, vice president, in charge of traffic of the New York, New Haven & Hartford Railroad Co. and New England Steamship Co., headquarters at New Haven. I have no voluntary statement to make, Mr. Chairman, but I will try to answer questions.

The CHAIRMAN. Who are the officers of your company?

Mr. CAMPBELL. The New York, New Haven & Hartford Railroad Co.?

The CHAIRMAN. No; the steamship company.

Mr. CAMPBELL. I think Mr. Mellen is the president and Mr. Buckland, Mr. Kochersperger, Mr. Gardner, and myself are vice presidents. Mr. Haskins is freight traffic manager; Mr. Kentfield is the general freight agent; Mr. Smith is the general passenger agent; and Mr. Coley is the assistant general passenger agent; and then there are some general agents.

The CHAIRMAN. Who are the directors?

Mr. CAMPBELL. I do not know, sir.

The CHAIRMAN. We have them, I find. As I understand, the entire capital stock of your company is owned by the New York, New Haven & Hartford Railroad Co.?

Mr. CAMPBELL. I am not familiar with the financial questions in connection with the company, and therefore not competent to testify.

The CHAIRMAN. How many vessels do you operate?

Mr. CAMPBELL. I have heard it stated here that we have 31. We have, I think, about 10 or 12 now in active operation.

The CHAIRMAN. Between what ports?

Mr. CAMPBELL. We operate the freight line between New York and New Bedford at this season of the year; the passenger and freight line in the summer season.

The CHAIRMAN. How many ships?

Mr. CAMPBELL. Two.

The CHAIRMAN. Have you any competition in that trade?

Mr. CAMPBELL. There is no other line operating between New York and New Bedford by water.

The CHAIRMAN. Give the next.

Mr. CAMPBELL. The next line is between New York and Fall River, which is a passenger and freight line.

The CHAIRMAN. Known as the Fall River Line?

Mr. CAMPBELL. Known as the Fall River Line. There is no competitive line there. There is the New York & Providence Line, which is a freight line in the winter time and a passenger and freight line in the summer season; the other line, an opposition line, is the Colonial Line.

The CHAIRMAN. How about rates? Are they uniform?

Mr. CAMPBELL. I know nothing about the Colonial Line's rates, except in a general way, that they are lower than the rates which are charged by the New England Steamship Co.

The CHAIRMAN. And the New England Steamship Co. controls what percentage of the tonnage from and to that port?

Mr. CAMPBELL. I do not know, sir. I can tell you what it handles, but I do not know what the others do.

The CHAIRMAN. What does it handle?

Mr. CAMPBELL (referring to paper). I have a statement here headed "New England Steamship Co., statement of tonnage, net tons, and freight earnings on the New England Steamship Co.'s lines, segregated by lines, and as between local and through, for the calendar year of 1912. Estimate by Mr. Tomlinson, general auditor, and Mr. Mackrille, auditor of freight receipts," and dated New Haven, February 8, 1913. The Providence Line handled during the year 1912, between New York and Providence, 79,396 tons—that is, port-to-port traffic.

The CHAIRMAN. Have you what you might call the "through traffic"?

Mr. CAMPBELL. The through traffic. The traffic interchanged with the rail lines between New York and points in New England, handled by the Providence Line for the same period, was 223,129 tons.

The CHAIRMAN. And what were the first figures?

Mr. CAMPBELL. 79,396.

The CHAIRMAN. So the total traffic was how much?

Mr. CAMPBELL. 302,525 tons.

The CHAIRMAN. How many boats does the Colonial Line have?

Mr. CAMPBELL. They own four, and are operating two.

The CHAIRMAN. What is the tonnage of the boats?

Mr. CAMPBELL. I am not informed as to that. I thought Mr. Goodrich was here, and could tell us how many passengers they carry, and that would give us an idea of their size; but they are fairly good-sized boats.

The CHAIRMAN. Small boats?

Mr. CAMPBELL. I do not know how small. I think they carry 400 or 500 passengers, but I would not be positive as to that.

The CHAIRMAN. Have you named all the ports to which your line runs?

Mr. CAMPBELL. No, sir; we operate a line between New York and New London; the Norwich Propeller Line, I believe, is the name of the competitor which operates between New York and Norwich, Conn. The Central Vermont operates a line between New York and New London.

The CHAIRMAN. And that line is operated in connection with the Central Vermont?

Mr. CAMPBELL. It is owned, I believe, and operated in connection with the Central of Vermont, and does some local business. Then we have the line between New York and New Haven. There is also the Starin Line.

The CHAIRMAN. Will you give the volume of traffic handled by your line at Norwich?

Mr. CAMPBELL. Port-to-port traffic, during the year 1912, 11,871 tons; interchanged with the New Haven road, 150,165 tons; total, 162,036 tons.

The CHAIRMAN. Take the other ports.

Mr. CAMPBELL. New York to Bridgeport, there is no competitive line operating there. That line handles port-to-port traffic. During 1912, 80,411 tons, and interchanged with the railroad, 23,065 tons. Then there is a connecting line running from Newport, R. I., to Wickford Landing. That is a small carrier which handled local, 504 tons, and through, 151 tons, a total of 655. The steamer *New Shoreham*, operating between Providence and Block Island, carried local, 9,270 tons. The steamer *Block Island*, from New London to Block Island, carried 321 tons. The New Bedford Line, Norwich Line, Fall River Line, Providence Line, New Haven Line, to Bridgeport, Newport & Wickford, and New Shoreham to Block Island, carried port to port, during the year 1912, 457,849 tons. They carried of interchange traffic with the New Haven road 572,000 tons. The total port to port and interchange, 1,459,421. It might be stated in this connection that the Eastern Steamship Line, operating between New York and Boston, probably handled 450,000 tons for the same period.

The CHAIRMAN. How do your rates compare?

Mr. CAMPBELL. With what, sir?

The CHAIRMAN. With the Eastern Steamship Corporation?

Mr. CAMPBELL. To the best of my recollection they are 5 cents per hundred pounds on first-class freight higher between New York and Boston than the Eastern Steamship Corporation; that is, joint water and rail.

The CHAIRMAN. On port-to-port business?

Mr. CAMPBELL. The Eastern Steamship Corporation does not compete between New York and Long Island ports; their service is between New York and Boston; so there is no comparison.

The CHAIRMAN. Does the New England Steamship Co. do any business out of Boston?

Mr. CAMPBELL. In connection with the rail, it does some.

The CHAIRMAN. Not on port-to-port traffic?

Mr. CAMPBELL. It would be Boston-New York traffic handled by the combined rail and water lines; it would not be in the strict sense port-to-port traffic; that is, in the sense it would be all-water transportation.

The CHAIRMAN. Does the New England Steamship Co. handle combined traffic—that is, the rail and water—all the traffic that centers in Boston from the New York, New Haven & Hartford lines of railroad?

Mr. CAMPBELL. To the best of my recollection, the combined rail and steamship line handles between New York and Boston something like 20,000 tons a month. I am not certain as to that. I would not want to be positive or rely on my memory for those figures.

The CHAIRMAN. Is that all of it?

Mr. CAMPBELL. Perhaps I do not understand your question?

The CHAIRMAN. I want to know what proportion of the traffic that is brought into Boston over the New York, New Haven & Hartford roads is carried from Boston to other ports by the steamships owned by that railroad.

Mr. CAMPBELL. I should say, in a general way, the traffic carried into Boston by the New York, New Haven & Hartford is traffic that goes out of Boston via the coastwise lines. I do not believe there is much, if any, traffic carried into Boston from points on the New Haven road that in turn goes back to New York by water. I think such business as moved to New York by water by way of the New Haven Railroad and its steamer connections originates in Boston. I think the business that the Eastern Steamship Corporation carries from Boston to New York originates both in Boston and on the line of the Boston & Maine Railroad. I have never made any figures as to what tonnage goes in over the New Haven Railroad to Boston and out to New York via the Eastern Steamship Line; there may be some.

The CHAIRMAN. Most of that traffic, however, originating on the New York, New Haven & Hartford would center at points along Long Island Sound, would it not? It would not go to Boston?

Mr. CAMPBELL. There is a great deal of Boston traffic which moves from Boston to New York by the New Haven all-rail service; for instance, we have what we call the "Flying fisherman" that makes the run in eight hours and carries perishable freight from Boston to New York. Then we have several other freight trains that run all rail. The other business that moves largely to New York by rail and water originates at Brockton and Campello—shoe towns in eastern Massachusetts—and at the cotton mills in Rhode Island and Massachusetts, and some traffic that originates up on the line of the Boston & Maine Railroad and comes down to the ports and goes by water.

The CHAIRMAN. Are there any independent lines in that trade in competition with the railroad-owned lines?

Mr. CAMPBELL. The Colonial Line is a competing line operating between Providence and New York.

The CHAIRMAN. You mentioned that.

Mr. CAMPBELL. Yes, sir; and the Norwich Propeller Line from Norwich, the Central Vermont Line.

The CHAIRMAN. As I understood you, that is a railroad-owned line, or controlled?

Mr. CAMPBELL. The Central Vermont?

The CHAIRMAN. No; the Propeller Line.

Mr. CAMPBELL. No, sir; that is an independent line.

The CHAIRMAN. It is?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. Run in connection with the railroad?

Mr. CAMPBELL. No, sir; run independently—a port-to-port line.

The CHAIRMAN. What other lines are there?

Mr. CAMPBELL. I have named all of them.

The CHAIRMAN. You have?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. Then, of the line service, there are six or seven independent lines?

Mr. CAMPBELL. East of Bridgeport there are four independent lines, not counting the Eastern Steamship Corporation lines to Boston; and west of Bridgeport there are four or five, which were enumerated by Mr. Buckland. I do not carry them in my mind.

The CHAIRMAN. And how many do you say there are that are railroad-owned or controlled?

Mr. CAMPBELL. Seven, I think, railroad-owned by the New Haven road, and one by the Central Vermont.

The CHAIRMAN. Did not Mr. Buckland say they were interested in or operated 31 boats?

Mr. CAMPBELL. Thirty-one boats, but not that many lines.

The CHAIRMAN. That many different lines, as you have just stated, out how many boats?

Mr. CAMPBELL. Seven independent boats, I believe, east of Bridgeport; I do not know how many west of Bridgeport.

The CHAIRMAN. Let me see if I understand. You say the railroad interests control seven different lines?

Mr. CAMPBELL. The New Haven controls six lines: New Bedford, New London, Fall River, Providence, New Haven, and Bridgeport—that is, operating between the Sound and New York.

The CHAIRMAN. How many boats are employed by those different lines?

Mr. CAMPBELL. Eleven, I think, at the present time—either 11 or 12.

The CHAIRMAN. In the summer time, how many?

Mr. CAMPBELL. Probably not over 14.

Mr. HARDY. One question: Mr. Buckland said that there were three hundred and sixty-two thousand and odd tons controlled by other railroads and two hundred and sixty-two thousand and odd tons controlled by New York, New Haven & Hartford in the Long Island Sound trade. That is my recollection. Is that correct?

Mr. CAMPBELL. I could not answer that without making an analysis or investigation of it; I do not know.

Mr. HARDY. What I wanted to ask was how much tonnage there was there not controlled by your road or some other road.

Mr. CAMPBELL. As to that I do not know.

Mr. HARDY. What proportion of that entire tonnage is controlled by your railroad or some other railroad? [After a pause.] The chairman here has his statement.

The CHAIRMAN. As I understood, Mr. Buckland gave the names of the companies and the totals.

Mr. CAMPBELL. He probably has had that matter analyzed, and I have not, and I could not answer it.

Mr. BUCKLAND. I took my data from the report of the Commissioner of Corporations in regard to the carrying capacities, Mr. Chairman, of the railroad-owned lines other than the New Haven, as compared with the New Haven line.

The CHAIRMAN. Did you give us the page in the report where that can be found?

Mr. BUCKLAND. I stated that when I was on the stand.

The CHAIRMAN. It is my impression that you did, but I did not know.

Mr. BUCKLAND. I filed it with the stenographer. I called off the page of the report where that was found when I stated the number of tons.

The CHAIRMAN. I have not any of the figures here.

Mr. BUCKLAND. My recollection is that the carrying capacity of the railroad-owned boats operating in Long Island Sound was in round numbers 362,000 tons, whereas the total carrying capacity of the New Haven system-owned boats was 262,000 tons.

Mr. HARDY. Mr. Campbell, there was a question which you started to answer from this side of the table over here, and it was suggested that you wait until you got on the stand. Do you remember? I said at the time I thought we would get it lost before you got on the stand.

Mr. BURKE. It related to the physical valuation and dividends.

Mr. HARDY. It was about that. I wanted to ask what was the total valuation of all the properties belonging to this company.

Mr. CAMPBELL. I do not remember the point; but I am quite certain it was not with respect to the valuation, because I am not well versed in the company's finances, and I could not answer those questions.

Mr. HARDY. I think you said you thought it was \$750,000,000.

Mr. CAMPBELL. Just from memory, that was my recollection. I would like to point out one matter here. The papers I have before me represent a statement of earnings and expenses of the various boat lines of the New England Steamship Co. for the year ending December 31, 1913—operation purely—making no allowance for depreciation or interest and, I think, no allowance for taxes. The Fall River Line showed an apparent profit of \$645,000 for the year; the Providence Line showed an apparent profit of \$130,000; the New Bedford Line showed an apparent profit from operation of \$99,000. The ratio of expenses to earnings was 80 per cent. In case of the Providence Line it was 80 per cent; in the case of the Fall River Line it was 68 per cent; the New Haven Line ratio of operation was 90 per cent, showing an earning of \$45,879. The ratio of the New London Line was 84 per cent, profits \$77,524. Ratio of the Bridgeport Line 99 per cent, showing an apparent profit of \$2,764.

The reason why the Fall River Line shows an apparent profit—whether it would or not after depreciation is taken out is a question—is because the steamers *Commonwealth* and *Priscilla*, which cost upward of \$2,000,000, make that a popular route for summer travel; and of the passenger business that it carries, I think 60 per cent is interchanged with the railroads; that is to say, it consists of passengers going over onto the cape and different summer resorts. The other lines, of course, lose heavily without any question from those figures. You can not operate any line around 75 or 80 per cent or even 65 per cent and get out whole and keep up depreciation, etc.

Mr. HARDY. This was rather a prosperous year—last year—was it not?

Mr. CAMPBELL. In what respect, sir?

Mr. HARDY. In a general way the country has been on a sort of a boom. Has not your business been enjoying some of the benefits of the general prosperity?

Mr. CAMPBELL. Yes. We have had a pretty good increase on the rail lines; not so much on water lines, however.

Mr. HARDY. If your water lines ran at a loss last year, is not there prospect of going out of business pretty good?

Mr. CAMPBELL. No. I would not think so. I think that, while I do not believe there is any profit in it, there is an obligation on the part of the New Haven road to keep up the service for the benefit of the public.

Mr. HARDY. Do you think the New Haven road should run, then, at a loss in order to carry out its obligation for the benefit of the public?

Mr. CAMPBELL. I think it would; yes.

Mr. HARDY. There is no contractual obligation, is there?

Mr. CAMPBELL. No; only just a matter of policy.

Mr. HARDY. Is it not a matter of policy to keep them in operation in order to keep others out, in order that the railroads shall maintain their hold on the business?

Mr. CAMPBELL. No; not at all. Their steamers are free to come in, and they do a good deal. We do not change our rates. They stay in as long as they can and starve to death and get out.

Mr. HARDY. You have no motive in keeping those in operation except just to accommodate the public? There is no profit to the railroads at all?

Mr. CAMPBELL. They have been there ever since the railroads first started.

The CHAIRMAN. They were there before the railroads, were not they, many of them?

Mr. CAMPBELL. That is, of course, going pretty well back for me, but in a general way I think the important steamship lines were established in connection with the railroads.

Mr. HARDY. Has not your road been buying up these lines?

Mr. CAMPBELL. I do not think they have bought any since I have been connected with the company. I do not recall that they have.

Mr. HARDY. I understood Mr. Buckland, a minute ago, to give the names of the lines that the New York, New Haven & Hartford had bought up—steamship companies.

Mr. CAMPBELL. I have been connected with the company only six years, and I do not know what their past history was in that respect.

Mr. HARDY. They have not bought any new lines since you have been connected with them?

Mr. CAMPBELL. I think not. I do not recall any.

Mr. HARDY. But they would not even have a moral public obligation to buy up a property of that sort and carry it on.

Mr. CAMPBELL. Buy up a losing line?

Mr. HARDY. Yes.

Mr. CAMPBELL. I do not think there would be any obligation to buy any lines. I think, however, there is a moral obligation to keep up the present service.

Mr. HARDY. How is it that these lines are really a cheaper method of operation than the railroads, and yet they are maintained at a loss by the roads?

Mr. CAMPBELL. Why, I do not think I have said they were cheaper methods of transportation.

Mr. HARDY. But you have said they are maintained practically at a loss by the New York, New Haven & Hartford Railroad in order to keep up their moral obligations to the public?

Mr. CAMPBELL. Yes. I think that the principal lines are kept up for that purpose. We have recently offered one or two of them for sale, but we can not find any purchaser.

Mr. HARDY. If they are operated at a loss nobody else can compete with them, can they?

Mr. CAMPBELL. I doubt very much if anybody could successfully compete, on account of the thinness of the rates.

Mr. HARDY. In other words, if they are operating at a loss they can not be competed with by anybody with nothing else to support and sustain them?

Mr. CAMPBELL. That would depend, of course, upon the quality of the competitor. They might run some scows up there and compete.

Mr. HARDY. Nobody can give the service they give and stay in competition with them?

Mr. CAMPBELL. Nobody could put in a steamer to cost a million and a quarter dollars and make a living; no.

Mr. HARDY. Does not that indicate that the railroads, somehow or other, in the division of earnings in their joint rates are taking a greater share from these roads than just comes from them?

Mr. CAMPBELL. No; I think not. I think the divisions are fair.

Mr. HARDY. You said they take such a share that those lines run at a loss?

Mr. CAMPBELL. I do not think the gross rate is sufficient to operate the lines properly.

Mr. HARDY. Yet the railroad is getting to be a bigger concern all the time, is it not?

Mr. CAMPBELL. It has not grown very much.

Mr. HARDY. It is buying one property after another from year to year during the past 10 or 12 years, and has it not been absorbing all the transportation facilities of all that section of the country?

Mr. CAMPBELL. I do not know that it has. I do not know that I could say "yes" to that without giving it some study.

Mr. HARDY. You know they have been buying electric-light properties?

Mr. CAMPBELL. No; I am not familiar with that. I do not know that they have bought any. I understand indirectly that they own some. I do not know when they were purchased.

Mr. HARDY. Do they not own street car properties?

Mr. CAMPBELL. They own some trolley lines.

Mr. HARDY. Did they not buy the Boston & Maine some time ago?

Mr. CAMPBELL. They have 51 per cent interest in it, or something like that.

Mr. HARDY. Gradually they have got about 51 per cent in nearly all those transportation facilities, have they not, running up from that Long Island Sound north?

Mr. CAMPBELL. They have 51 per cent in the Boston & Maine. They have not any interest in the Central Vermont; they have not any interest in the Eastern Steamship Corporation.

Mr. HARDY. Is there any reason why they have not got it in the Central Vermont?

The CHAIRMAN. Do you mean to say that they have no interest in the Eastern Steamship Corporation?

Mr. CAMPBELL. I mean no potential interest. They have taken the securities for the steamers they have sold to them, but I understand from Mr. Buckland that those are on the market at the cost price.

The CHAIRMAN. I did not think you wanted to make the statement that they did not have any interest in the Eastern Steamship Corporation.

Mr. CAMPBELL. I mean no policy interest.

Mr. HARDY. You really call it no "policy interest," when they elected four directors, and the other parties elected four directors, and those eight—

Mr. CAMPBELL. You are thinking now about the Merchants & Miners'. I was talking about the Eastern Steamship Corporation.

The CHAIRMAN. In reference to the Merchants & Miners' they have not a potential interest?

Mr. CAMPBELL. I do not think they have in either one. I do not think they control the rate-making policy or commercial policy. That is the part I am most familiar with.

The CHAIRMAN. Who does make the rates?

Mr. CAMPBELL. Of what, sir?

The CHAIRMAN. The Merchants & Miners'.

Mr. CAMPBELL. The Merchants & Miners' Co.—the traffic manager is behind you there and he is governed by his president.

The CHAIRMAN. There is never any friction between them and your lines, is there?

Mr. CAMPBELL. I can not recall any.

The CHAIRMAN. There is no difference in the rates?

Mr. CAMPBELL. Yes; there is a difference in the rates.

The CHAIRMAN. What is it?

Mr. CAMPBELL. I can not tell you fully from memory, but they charge a lower rate, I think, between Philadelphia and Baltimore and some points in New England than we do.

The CHAIRMAN. Than from Baltimore and Philadelphia to New England points, but they are not in competition with you in the trade north of New York, are they? That is port to port?

Mr. CAMPBELL. They do not touch New York. They do not have any sailings from New York.

The CHAIRMAN. And hence they are not in competition with you in any sense.

Mr. CAMPBELL. Not between New York and New England ports; no, sir.

The CHAIRMAN. I think somebody expressed it—perhaps it was Mr. Buckland—that the Merchants & Miners' are regarded as an extension of the service of the New York, New Haven & Hartford to ports beyond New York.

Mr. CAMPBELL. Of course, that occurred—the acquisition of interest in the Merchants & Miners' was prior to my connection with the company. I understand that was the principle upon which the action taken was based, as a protective measure for New England industries in the matter of raw-material shipments.

The CHAIRMAN. That is all, Mr. Campbell. Mr. Buckland, is there anybody else with you who desires to be heard?

Mr. BUCKLAND. How long will the session last?

The CHAIRMAN. Oh, until 5 o'clock, if necessary.

TESTIMONY OF CALVIN AUSTIN, PRESIDENT EASTERN STEAMSHIP CORPORATION, INDIA WHARF, BOSTON, MASS.

The CHAIRMAN. Give your name, business, and place of residence to the committee.

Mr. AUSTIN. My name is Calvin Austin, and I am president of the Eastern Steamship Corporation, with offices at India Wharf, Boston, Mass.

The CHAIRMAN. What lines are controlled by the Eastern Steamship Corporation?

Mr. AUSTIN. The Eastern Steamship Corporation—it originally was the "Steamship Company" up to December, 1911, and then it was made the Eastern Steamship Corporation. Previous to being made the Eastern Steamship Corporation, it owned 21 or 22 steamers running from Boston to points on the Maine coast—Boston to Portland, Boston to Kennebec River, Boston to the Penobscot, as far as Bangor, and from Boston to Eastport, and Lubeck and St. Johns; also small steamers from Bath to Boothbay; Portland to Boothbay and Rockland, and from Rockland to Bar Harbor, Blue Hill, and touching all those intermediate points down there. Those were small boats, subsidiaries to the large steamers we run from Boston to the principal points. In December, 1911, the Eastern Steamship Co. bought four freighters, originally called the "Metropolitan Line," running from New York to Boston and the five steamers belonging to the Maine Steamship Co., the *Old Colony*, *Bunker Hill*, *Massachusetts*, *Northland*, and *North Star*. Then we changed the name of the corporation to the Eastern Steamship Corporation and issued securities and gave them for those nine ships. Those ships run from New York to Boston and from New York to Portland.

The CHAIRMAN. What company holds the securities that you gave?

Mr. AUSTIN. The New England Navigation Co., as far as I know. That is the way it stands on our books. They own 20,000 shares of the common stock and 15,000 shares of the preferred; and \$2,500,000 in bonds, as Mr. Buckland stated, which is correct.

The CHAIRMAN. What is the total amount of the common stock?

Mr. AUSTIN. Sixty-seven thousand five hundred shares.

The CHAIRMAN. Of which the New York, New Haven & Hartford Railroad owns 20,000?

Mr. AUSTIN. Twenty thousand.

The CHAIRMAN. And the preferred stock, the total amount is how much?

Mr. AUSTIN. Thirty thousand.

The CHAIRMAN. And the railroad owns how much?

Mr. AUSTIN. Fifteen thousand or 50 per cent.

The CHAIRMAN. And what is the bonded debt outstanding?

Mr. AUSTIN. At that time \$5,700,000. There has been a sinking fund taken out of it since, which has reduced it some.

The CHAIRMAN. Of which the New York, New Haven & Hartford owns how much?

Mr. AUSTIN. \$2,500,000.

The CHAIRMAN. What are the relations between the New England Corporation and the New York, New Haven & Hartford Railroad Co.?

Mr. AUSTIN. None, except in the general interchange of business; no more so now than it was previous to the taking over of the line.

The CHAIRMAN. Has there been any change in the relations between the companies?

Mr. AUSTIN. No, sir.

The CHAIRMAN. They are operated in harmony, are they not?

Mr. AUSTIN. They are operated entirely independently. The Eastern Steamship Co. has nothing to do with the New Haven Railroad or its subsidiaries, except in the interchange of business; neither have they anything to do with us.

The CHAIRMAN. In other words, what do you mean by "interchange of business"? Interchange of business between your water lines and the railroad lines?

Mr. AUSTIN. Yes.

The CHAIRMAN. At what points?

Mr. AUSTIN. In Boston mostly, from points on the Maine coast and Nova Scotia.

The CHAIRMAN. When they purchased some of the subsidiaries of the New York, New Haven & Hartford road the same relations, as I understand, exist as existed before?

Mr. AUSTIN. Yes, sir.

The CHAIRMAN. Before these lines were owned by the New York, New Haven & Hartford Railroad?

Mr. AUSTIN. Yes.

The CHAIRMAN. Have you any competitors between the ports to which your lines operate?

Mr. AUSTIN. We have the Sound lines in connection with the rail lines from New York to Boston.

The CHAIRMAN. North of Boston?

Mr. AUSTIN. North of Boston we have one small line, called the Maine Coast Transportation Co. It runs from Boston and touches about every point we do except St. Johns and Yarmouth, Nova Scotia; it does not go into foreign waters.

The CHAIRMAN. What line is that?

Mr. AUSTIN. The Maine Coast Transportation Co.

The CHAIRMAN. How many ships do they have?

Mr. AUSTIN. I think they have two.

The CHAIRMAN. How many ships do you operate from Boston to Philadelphia?

Mr. AUSTIN. Twenty.

The CHAIRMAN. Give the committee some idea of the difference in tonnage.

Mr. AUSTIN. I beg pardon, we operate 22; that is, including the Nova Scotia line to Yarmouth.

The CHAIRMAN. Give us a comparison of the lines in the matter of tonnage of ships.

Mr. AUSTIN. With my competitor?

The CHAIRMAN. Yes.

Mr. AUSTIN. Well, we run steamers down there that cost \$550,000 to \$650,000, and I suppose those two they run may be worth \$2,500 apiece. [Laughter.]

The CHAIRMAN. You have no competition in that?

Mr. AUSTIN. Not very much.

Mr. HARDY. You say a ship cost \$2,500?

Mr. AUSTIN. That is what you might call it.

Mr. HARDY. They must have stolen it from abroad.

Mr. AUSTIN. No; it came from the Lakes.

The CHAIRMAN. Is there any competition between your lines and the New Haven interests anywhere?

Mr. AUSTIN. No, sir; except between New York and Boston they are our competitor.

The CHAIRMAN. That is, port-to-port traffic, New York to Boston.

Mr. AUSTIN. Yes.

The CHAIRMAN. The rates, however, are uniform?

Mr. AUSTIN. The Eastern Steamship Corporation has on an average a 50 per cent differential per ton; it averages that. In some classes it would take 5 cents—that is, a dollar—and it runs down to a half of 1 per cent. It averages 50 per cent.

The CHAIRMAN. Have you competition with any boat line between Boston and New York?

Mr. AUSTIN. No, sir.

Mr. HARDY. Right there, did I understand Mr. Buckland to say that his company had no boat line running from New York to Boston?

Mr. AUSTIN. You understood him correctly, if you understood him that way, sir.

Mr. HARDY. But that company is the line that runs there?

Mr. AUSTIN. Yes, sir.

The CHAIRMAN. I can see why he would not have a company going to Boston. As a matter of fact, it is to their interest, their pecuniary interest, that your company shall make a profit.

Mr. AUSTIN. I wish they did feel that.

Mr. HARDY. Could they feel any other way when they have 20,000 shares of your common stock and 15,000 shares of your preferred stock and \$2,500,000 of your bonds?

Mr. AUSTIN. I regret to say, sir, we did not make any profit. The passenger business between New York and Boston, and between Boston and all points east of Boston, is between the 15th of June and the 15th of September, or a few days after Labor Day. We have all those large properties lying idle about seven months out of the year, when they are not earning anything.

Mr. HARDY. Is it human nature for a man to want his business interests to suffer a loss?

Mr. AUSTIN. I do not say that they want us to suffer any loss, but they do not throw anything in our way.

Mr. HARDY. And yet you say you have an interchange of business on friendly terms.

Mr. AUSTIN. If we have a consignment of goods from Rockland, Me., going out over the New Haven Railroad, it goes into Boston and is transferred and is delivered to them, either on a through rate or on to locals.

Mr. HARDY. Could you have a more kindly well-wisher or railroad associate in business than the New York, New Haven & Hartford?

Mr. AUSTIN. They are good people to deal with.

Mr. HARDY. And they wish you well and they are interested financially in your doing well?

Mr. AUSTIN. They have not asked me in and told me they wished me well.

Mr. HARDY. And you wish them well?

Mr. AUSTIN. Most assuredly.

Mr. HARDY. You could not afford to antagonize their interests?

Mr. AUSTIN. It would not be my disposition to do so, even if they did not have any interest in it.

The CHAIRMAN. What was the occasion for your organizing the Eastern Steamship Corporation?

Mr. AUSTIN. As I remember, there was some technical point, and our attorneys advised doing it.

The CHAIRMAN. What are your relations between your company and the Atlantic, Gulf & West Indies Steamship Co.?

Mr. AUSTIN. None.

The CHAIRMAN. No community of interest between them?

Mr. AUSTIN. No more than an interchange of business.

The CHAIRMAN. No directors in common?

Mr. AUSTIN. Yes; one.

The CHAIRMAN. Who is that, Mr. Mallory?

Mr. AUSTIN. Mr. Mallory.

The CHAIRMAN. Henry R. Mallory?

Mr. AUSTIN. Henry R. Mallory. I beg pardon; there are two: Mr. Galen L. Stone and Mr. John E. Legget. Up to the time that we reorganized and changed the name of the corporation the Atlantic Gulf lines owned quite a large block of the Eastern Steamship Corporation, and that is why Mr. Mallory was made a director; and we have gone along without making a change. Mr. Stone was largely interested in both corporations—both the Eastern and the Atlantic Gulf—and so was ex-Gov. John F. Hill, who was a director in the Eastern and also in the Atlantic Gulf. At the time of his death his son-in-law, John E. Legget, took the position as a director, and he is in many other corporations.

The CHAIRMAN. You say the organization of your present company was by advice of counsel. You do not recall just what the technical reason was?

Mr. AUSTIN. No, sir; I could easily ascertain and write you that if you would like.

The CHAIRMAN. You say there is no community of interest except as indicated by the common directors in the two companies?

Mr. AUSTIN. That is all.

The CHAIRMAN. The two corporations act in harmony, do they not?

Mr. AUSTIN. The Eastern and the Atlantic Gulf?

The CHAIRMAN. Yes.

Mr. AUSTIN. Well, one is an extension of the other; yes, sir.

The CHAIRMAN. There is no competition between you?

Mr. AUSTIN. Not the slightest. They give us goods to take to Boston, and we give them goods to take south.

The CHAIRMAN. You say there is an interchange of traffic?

Mr. AUSTIN. There is a large volume of interchange of traffic in that way, yes; but the interchange of traffic with the Atlantic Gulf is not as large as it is with the Southern Pacific or the Morgan Line, so-called. Forty per cent of the 450,000 tons that we carry between New York and Boston goes in to the interior over the Boston & Maine, and about the same proportion of the 250,000 tons that goes

into Portland goes out over the Grand Trunk and Grand Central Railroads.

The CHAIRMAN. To interior points?

Mr. AUSTIN. Yes, sir.

The CHAIRMAN. That is traffic from New York—

Mr. AUSTIN. From New York and southern points—cotton, and wool, and hides, and various other commodities of that nature.

The CHAIRMAN. Does all the traffic that goes north of New York from what is known as the "Agwi" Lines go over your line?

Mr. AUSTIN. No, sir; I do not think so. I think we get what is routed by us.

The CHAIRMAN. What per cent of the total traffic?

Mr. AUSTIN. I could not tell you.

The CHAIRMAN. To points north of New York there is not any other line by which it could be routed?

Mr. AUSTIN. The Sound lines.

The CHAIRMAN. Beyond the Sound ports, though.

Mr. AUSTIN. By rail.

The CHAIRMAN. Any other water line?

Mr. AUSTIN. No other water line, except by the Sound and by rail.

The CHAIRMAN. Do you know whether they get any part of it or not?

Mr. AUSTIN. They get large quantities of it. I think they get more cotton than we do, which is one of our large commodities.

The CHAIRMAN. That is, the Sound steamers to those factories along the Sound?

Mr. AUSTIN. Yes; and from the way of New Bedford into the interior.

Mr. HARDY. Going up the Connecticut River?

Mr. AUSTIN. No; it goes to New Bedford by the line of steamers that touch there, and then is transferred by rail and goes out through there to different points, what we term the mill towns.

The CHAIRMAN. You have had a large experience in the steamship business, and there is agitation in favor of regulation. The committee would like to have you express your views on what legislation, if any, should be enacted by Congress.

Mr. AUSTIN. I should not change it; I would leave it just where it is.

The CHAIRMAN. You are satisfied with the existing conditions?

Mr. AUSTIN. If you make it any worse than it is now, we would go out of business.

The CHAIRMAN. Make it clear to the committee why you say that, because it is a very important matter.

Mr. AUSTIN. Why, I do not know that it would affect the outside line, the line I represent between New York and Boston, but to segregate the Sound lines from the rail—I do not see how they could eke out an existence.

The CHAIRMAN. Well, assuming that it would not be good policy to segregate them, is there any legislation which should be enacted to control them further than they are now controlled under the interstate-commerce law?

Mr. AUSTIN. Well, we are under the interstate-commerce law as far as rates go, both passenger and freight, except on water points between port and port.

The CHAIRMAN. What would you say about bringing them under the supervision of the Interstate Commerce Commission on port-to-port business?

Mr. AUSTIN. I do not see where it would be of any advantage. The rates have not been changed for a long time. I think the rates between New York and Boston are now about what they were 10 years ago or more, and it costs at least 40 per cent more to operate. The only thing that has increased is the volume of business. The terminals are much higher. When Morse took the Metropolitan Line from Henry N. Whitney—what was called the Metropolitan Line then—the rent in New York was \$80,000; to-day it is \$100,000. In Boston it was \$20,000, and the same property to-day is \$50,000. Coal then was around \$2.50, against \$3.50 to-day. We allowed our men then 50 cents for victualing on a freight ship; to-day it is 60, and it amounts to \$1,200 a year on a small freight ship. The unions oblige us to carry more men and pay larger salaries, and work less hours, and the men are not as good.

The CHAIRMAN. And notwithstanding that, rates have not increased?

Mr. AUSTIN. The rates have not increased.

The CHAIRMAN. Mr. Buckland has given us a statement with reference to the earnings of their water lines. What is the capitalization of your company?

Mr. AUSTIN. We are allowed to issue 120,000 shares, and we have issued 67,500 shares, and there are 53,500 in the treasury.

The CHAIRMAN. A hundred dollars a share?

Mr. AUSTIN. \$50. That is common; 30,000 shares preferred, and the preferred is all issued.

The CHAIRMAN. The preferred has an equal voting power with the common?

Mr. AUSTIN. Yes, sir.

The CHAIRMAN. Could you give the committee a statement of the earnings of your line on the capitalization?

Mr. AUSTIN. Yes, sir.

The CHAIRMAN. Will you do so?

Mr. AUSTIN. I have it right here with me if you would like it. [Exhibiting a document.]

The CHAIRMAN. We have a copy of that.

Mr. AUSTIN. Your representative came to the office and we lent him every assistance we could.

The CHAIRMAN. Now, if I understand you correctly, from Boston north you have practically no competition?

Mr. AUSTIN. The Boston & Maine and the Maine Central Railroads.

The CHAIRMAN. No water competition?

Mr. AUSTIN. In Maine.

The CHAIRMAN. Don't you think that under those conditions there ought to be some regulation of your traffic from port to port?

Mr. AUSTIN. No, sir.

The CHAIRMAN. That it ought to be supervised?

Mr. AUSTIN. No; except to allow us to charge a larger rate. The seasons are so short for running, and we have so much value in our properties. Where we run 20 steamers, in the winter we do not run but 9; the rest of those ships are laid up.

The CHAIRMAN. As I understood you, that is true about seven months in the year that they are laid up?

Mr. AUSTIN. Seven months in the year they are not earning anything.

Mr. HARDY. I want to ask one question. You state that the rates now are about the same as they were 10 years ago, and yet certain elements of expense have largely increased. Now, I understand that railroads make that statement and yet show how they can maintain even a lower rate because their engines are bigger, their carrying capacity has doubled. The same crew will carry, probably, three times as much freight as it used to. But what is the explanation of your ability to maintain the same rate when all these increases have taken place within the last 10 years?

Mr. AUSTIN. The route I had reference to then was the freight route between New York and Boston. We are operating the same steamers there. Ten years ago they made \$150,000 profit; this year we made nothing.

Mr. HARDY. You have nothing to prevent you from raising the rates on your port-to-port trade?

Mr. AUSTIN. We can not charge more than the all-rail route.

Mr. HARDY. You mean you ran at a loss with these ships in competition?

Mr. AUSTIN. Not a loss; they had a profit this year.

Mr. HARDY. These all-water routes can not compete with the all-rail routes?

Mr. AUSTIN. I do not know what they did; I know what we did.

Mr. HARDY. Is it not a fact that on the all-rail lines near the Great Lakes they have lower rates on freight in order to compete with the water transportation than they do when they get out from the Lakes?

Mr. AUSTIN. I do not know about that.

Mr. HARDY. As a matter of fact, on your water route you can not compete with the all-rail route and make a profit?

Mr. AUSTIN. We have to compete with them as far as the tariff goes, but we do not make any money.

Mr. HARDY. If you were absolutely free from the New York, New Haven & Hartford Railroad and had no connection with it at all, could you run that route cheaper than they can; couldn't you carry freight cheaper from New York to Boston than they can?

Mr. AUSTIN. I do not think we can, with the heavy terminal expenses.

Mr. HARDY. Haven't they heavy terminal expenses, too? They have quarters that cost them as much as yours.

Mr. AUSTIN. Yes.

Mr. HARDY. Isn't it almost an axiomatic statement that normally water transportation is cheaper than by rail?

Mr. AUSTIN. Our ships load in the hold. Everything goes down through the decks and the ships go outside. The Sound lines are largely sidewheel boats, and they wheel in just as you might alongside this table. Freight has to be loaded on our boats on elevators and taken out the same way, which is much more expensive than it is on the Sound line boats.

Mr. HARDY. Haven't your rates always been given with a differential?

Mr. AUSTIN. To-day it averages about 50 cents a ton.

Mr. HARDY. Isn't there a great deal of that freight that could be just as conveniently and expeditiously handled by water?

Mr. AUSTIN. We do handle first-class freight by water.

Mr. HARDY. What is it that forces you to keep up that differential against this when a great deal of your transportation is just as desirable as the all-rail?

Mr. AUSTIN. That is a rate that has been in force a number of years, ever since I have been in the company, and we have never changed it.

Mr. HARDY. As a business proposition—

Mr. AUSTIN. As a business proposition it is generally understood the water line will take the differential.

Mr. HARDY. But as a business proposition do you think it a wise or sensible thing to maintain a business without a profit just in order to uphold the old price?

Mr. AUSTIN. No; it is not. We have these properties, and we are looking forward to better times—an advance in rates or a less price for coal, or something of that nature.

Mr. HARDY. You can not expect more prosperous times for the country generally than we have had in the last year?

Mr. AUSTIN. In freight, no; in passengers, yes. The *Titanic* disaster was a very serious blow to all water lines for passenger business.

Mr. HARDY. What time of the year did that occur?

Mr. AUSTIN. That occurred in March or April.

The CHAIRMAN. In April.

Mr. HARDY. Outside of that disaster you have, you say, no reason for better prospects?

Mr. AUSTIN. I do not see much in the way of passenger business.

Mr. HARDY. And your lines with these connections can only live—

Mr. AUSTIN. That one line, that freight line between New York and Boston, I had reference to.

Mr. HARDY. Did your other lines make a profit?

Mr. AUSTIN. We experimented last year, and we eked out an existence.

Mr. HARDY. Just in part of your lines?

Mr. AUSTIN. The Eastern always has made a very good profit. That is running east from Boston.

Mr. HARDY. There, you say, your competition is the Boston & Maine line.

Mr. AUSTIN. Yes.

Mr. HARDY. And that is part of the New York, New Haven & Hartford system?

Mr. AUSTIN. No, sir; that is a little line, owned, I think, by two or three individuals. It is the Maine Transportation Co. They carry only freight.

Mr. HARDY. That is not the Boston & Maine?

Mr. AUSTIN. The Boston & Maine Railroad, and the Maine Central; they are our competitors.

Mr. HARDY. The Boston & Maine is controlled by the New York, New Haven & Hartford, is it not?

Mr. AUSTIN. I have heard it said here they control 51 per cent. I did not know what the facts were.

Mr. HARDY. That is a rail line controlled by the New York, New Haven & Hartford?

Mr. AUSTIN. Yes.

Mr. HARDY. I have no other questions.

The CHAIRMAN. Mr. Buckland, have you anyone else?

Mr. BUCKLAND. I have Mr. George S. Hobbs, vice president of the Maine Central Railroad Co., who operates a small line of steamers on the coast.

**TESTIMONY OF MR. GEORGE S. HOBBS, SECOND VICE PRESIDENT
MAINE CENTRAL RAILROAD, PORTLAND, ME.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Give the committee your name, address, and your business.

Mr. HOBBS. George S. Hobbs, second vice president Maine Central Railroad, Portland, Me.

The CHAIRMAN. Do you want to make a statement to the committee?

Mr. HOBBS. We control, Mr. Chairman, a railroad operating in Maine and the northern part of New England, and we touch at numerous places on the coast of Maine, and have connections north and south, north with the Bangor & Aroostook, Canadian Pacific, Grand Trunk, and Quebec Central; south with the Boston & Maine and the Eastern Steamship Corporation. For the year ended June 30, 1912, we carried 6,793,519 tons of freight.

The CHAIRMAN. That is, the railroad?

Mr. HOBBS. Yes, sir. We operate two small feeding boat lines: one running out of Rockland to some coast points and summer resorts, and the other running out of Mount Desert Ferry, running to Bar Harbor and other coast resorts along there.

Our tonnage on those boats received at the various landings by both lines for the year ended June 30, 1912, was 3,134 tons. The amount forwarded from those landings which we handled on the boats was 20,709 tons.

Mr. Bull, in his evidence before your committee, stated he had been unable to obtain rates with us to and from certain of our territory, and in connection with this I will state to you that the Bull Steamship Line operating between New York and Stockton Harbor has no connection with the Maine Central Railroad. We do not run to Stockton Harbor. We connect with the Bangor & Aroostook Railroad at Northern Maine Junction, 20 miles from Stockton Harbor, and we have in effect certain local rates from certain parts of our territory to Stockton Harbor, and under those rates the Bull Line takes and holds certain business. Those rates were put in a number of years ago in ordinary traffic interchange, by request of the Bangor and Aroostook Railroad. In this other territory north of there where rates have been asked for there is a limited amount of tonnage, but it was not considered of sufficient importance by the Bangor & Aroostook for them to request interchange rates with them, and therefore it is being operated under local rates. We interchange business at Portland with the Eastern Steamship Cor-

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poration on Boston business on a division of locals, in just the same way that the Stockton business is handled with the Bull line. We also interchange at Portland business with the New York Line of the Eastern Steamship Corporation under through rates to and from various points in the State of Maine. They give us a pretty good little tonnage and we give them a pretty good tonnage; in other words, there is a very good tonnage in both directions. We have a large interchange with the Boston & Maine Railroad, and part of that business comes to New York via the Metropolitan Line, controlled by the Eastern Steamship Corporation, and there are also rates in effect to and from all ports of New England to the West and South. Those through rates via the Boston and Maine Railroad have been open for years, and a large and satisfactory interchange has been established, and the territory occupied by the Boston and Maine Railroad and the New York, New Haven & Hartford has given our shippers in the State of Maine a very satisfactory distributing territory and a territory that is valuable to us as a distributing territory.

I do not know that there is anything more that I can say in regard to the situation, except what the Bull Line wanted from us was business which they were proposing to take at cut rates, and we did not think we could do anything for them other than to interchange on the basis of whatever the local rates were.

The CHAIRMAN. And his statement before the committee, so far as that goes, was correct?

Mr. HOBBS. Yes. If there are any other questions your committee would like to ask I should be pleased to answer them.

The CHAIRMAN. You did decline to give them the benefit of any other than the local rate?

Mr. HOBBS. We did.

The CHAIRMAN. Of course, that operates prejudicially to his line?

Mr. HOBBS. Yes, sir; but we were unable to see how it would operate prejudicially to the interests of the public or of the established lines with whom we interchanged freight.

The CHAIRMAN. What established lines?

Mr. HOBBS. The Maine Steamship Line via Portland; the Metropolitan Steamship Line, and other lines, via Boston, including the Merchants' and Miners' and the Clyde Line; the Boston & Maine Railroad, including the New Bedford and the Fall River Line—

The CHAIRMAN. The cogent reason was this, that if you were to interchange with him at that point it meant a short haul for you as against a long haul if you interchanged rates with those other lines at Portland and Boston?

Mr. HOBBS. That was one of the reasons. Another one was that we could not see that there was any fair return for us in the business which he could give us. We could not see any particular value to the traffic.

The CHAIRMAN. No; because what he delivered to you would simply involve a short haul, and what you delivered to him would be at the expense of a long haul?

Mr. HOBBS. That is true.

The CHAIRMAN. Is there anything else?

Mr. HOBBS. I believe that is all.

in New England in regard to the control by the New Haven system of the existing lines. I am still further fortified in that belief by the advantages which New England might have in establishing additional lines upon the opening of the canal between the New England coast and the Pacific coast, the lawfulness of which, in my mind, is subject to some doubt under the present provisions of the act. I do not know how far the courts will interpret the phrase "Which does or may compete." To-day—Mr. Campbell will correct me if I am mistaken in regard to the figures—for instance, we participate in a through rate of \$1 per hundred pounds on cotton piece goods, all rail, going from New England points to the Pacific coast points. The amount which the New Haven line receives out of that through haul is comparatively small. I am inclined to the belief that we should have the right to put on a line from New England ports to the Pacific ports and haul the products of New England to California, Oregon, and Washington, and deliver them there without reference to our western rail connections. I doubt, as I say, our right to do it without violating the law. I can not sum it up any more briefly, Mr. Chairman, than to say that I think that the propriety or the permission for railroads to continue to operate water lines or to acquire additional lines for the purpose of operating them, or to establish new lines, even though there be some element of competition—that should be placed in the hands of a governmental body, which will no doubt act sensibly and wisely in determining whether the public interest is thus best subserved.

I do not know that I can say anything more if I should talk here for half an hour.

The CHAIRMAN. What do you say with reference to the port-to-port business?

Mr. BUCKLAND. I am not enough of a sailorman to know, but the arguments which I have heard advanced and which these gentlemen here who are engaged solely in the shipping business have frequently mentioned are these—and it seems to me an argument of very considerable weight—that the unit of loading in a ship is the ship itself: the unit of loading in a railroad is the car. And, in so far as a ship is concerned, if it had to maintain a certain rate or else go empty, it would be to a disadvantage; but the railroad line, because it would only have to drop off a car, would not be. These gentlemen say, and it seems to me, as I said, with a great deal of force, that they ought to be in a position where if they need without notice to cut a rate in order to fill a ship in port-to-port business they ought to have a right to do it. I do not see how you can very well get away from that argument. You know in any business that if you can only run half time that you are going to lose money, and that it might pay you to take on enough additional business to run full time, even though the additional business which you took on should not pay you as much as that which you already had. I think the men running these port-to-port lines have a pretty strong argument in that respect.

The CHAIRMAN. In other words, there ought not to be any minimum rate fixed.

Mr. BUCKLAND. I do not know how to meet it. I am afraid if there was a minimum rate fixed that it would become the maximum rate and would be rigid.

The CHAIRMAN. Should there not be any regulation by the Interstate Commerce Commission, or some other body of like powers, as to the reasonableness of the rate?

Mr. BUCKLAND. Maximum or minimum?

The CHAIRMAN. The maximum rate.

Mr. BUCKLAND. I never have heard any particular contention on the question of maximum rates on port-to-port business. I am addressing my remarks entirely to minimum rates on port-to-port business. I rather fancied that competition would take care of that.

The CHAIRMAN. You object to the minimum rate being fixed for the reason you have stated—that many times they cut a rate rather than let the ship go partly full?

Mr. BUCKLAND. Yes.

The CHAIRMAN. But if they are compelled to make a rate and file it with the Interstate Commerce Commission and could not vary from that rate, oftentimes they would be compelled to go with the ship partly full, and that would result in a loss, while the cut rate for the time being would inure to the benefit of the shipper?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. Would not all of freight travel, anyhow, that ought to travel if they were assured of reasonable rates, which would be a minimum? In other words, if you have a vessel which you say you are going to fill now for nothing and carry certain goods free to fill a vessel, is it not practically true that the whole amount of freight that accrues in a country will move on reasonable rates?

Mr. BUCKLAND. That might be so as to boats running on a regular schedule, but we have a very large number of boats that do not run on a regular schedule, and if you are going to regulate the port-to-port rates on those boats you will put them at a very serious disadvantage, and the boat which is here to-day and gone to-morrow—

Mr. HARDY. On these boats here, there, and somewhere else to-morrow, if they were required to charge a minimum rate, would not it rather steady business? By reason of having no minimum rate you can adopt your cutthroat methods of knocking out competition, but if you had a minimum rate, and the whole amount of freight is going to move sometime, in some way, unless you put such excessive rates on it as to destroy the profit in the freight. Now, by this cutthroat business of taking freight sometimes for nothing do you not rather disturb and disorder the whole system rather than benefit anybody?

Mr. BUCKLAND. I think that your statement is admirably put as to the effect of unlimited and unregulated competition.

Mr. HARDY. You can not regulate it unless you have a minimum rate at all, can you, unless by combination of the interested parties?

Mr. BUCKLAND. As I say, Mr. Hardy, I do not know enough about the port-to-port business to speak.

Mr. HARDY. You know so much more than I do that I am ashamed to interrogate you.

Mr. BUCKLAND. Seriously, our port-to-port business is so comparatively small that I do not know how to meet that. I should think the gentlemen here who are engaged in that could better answer your question.

Mr. HARDY. Let me get another line on your proposition.

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. You say that the Panama Canal bill is wrong because you believe that in freight shipments from somewhere in New England to somewhere on the Pacific coast your road participates to a small extent in the total charge——

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. And that you ought to be allowed to put on a line of ships to go by way of Panama yourselves in order to get that total charge?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. And benefit yourself more?

Mr. BUCKLAND. Yes, sir.

Mr. HARDY. As a matter of fact, your road, as a railroad, is only interested in the earnings of your road, is it not?

Mr. BUCKLAND. No, sir.

Mr. HARDY. Of course, if you own all these other properties you are interested in them, but as a railroad proposition, if you have free and untrammelled railroads with which you connect going west to San Francisco, and you have free and untrammelled railroad line boats with which you connect going south and then west to San Francisco, by that very prohibition are you not given two parties with whom you can deal and through whom you can ship, and you have the opportunity to use either the connection of the railways at your terminus or to use the connection of the ships that are going through the Panama Canal, and as a matter of fact if the ships carried the balance of your goods cheaper that way than the railway, would you not get the benefit of it by those ships being independent?

Mr. BUCKLAND. If I could be sure——

Mr. HARDY. That they would be independent?

Mr. BUCKLAND. If I could be sure that there would be established a line from New England to the Pacific coast——

Mr. HARDY. That was independent of these other roads.

Mr. BUCKLAND. I do not care whether they are independent or not—that would run and keep its rates reasonable, and have the same interest in developing New England that we have——

Mr. HARDY. And that——

Mr. BUCKLAND. Just a moment. I want to finish my sentence—that is dependent for its very existence on the prosperity of New England as we are dependent, then I should answer "Yes." I do not know of any interest so great as ours in New England. I know of no interest that has so much at stake as we have in the prosperity of those six States.

Mr. HARDY. Your idea——

Mr. BUCKLAND. Just a moment. I want to be in a position where I know I am going to be able to maintain, if possible, the commercial supremacy, or at least the present commercial status, of New England.

Mr. HARDY. Is not the trouble about the whole thing that you want to play Providence for New England and build up her industries, and through your operation build up a country, build up an industry, build up your section, and not leave it to the laws of Nature or natural laws of advantage? If you have the benefit of two competing lines, one water and one rail, they would have as much interest in New England as the rail route, after you leave it, unless you propose by manipulation to say: As I have understood it is the

honest view of railroads, they will build up a new country and they will carry freight for nothing to that new country, raising the rates on intermediate points, and in various ways the railroads who carry in competition with water away below cost, recouping themselves on the intermediate points, in that way assuming the province of Providence itself, and deciding which countries they will prosper and which they will not. You want to build up New England by combination of rail and water ownership that will prevent, if it is allowed to be complete, any competition between the transcontinental lines and the water routes through the canal. That would be the effect of the proposition if the railroads owned those canal boats, would it not?

Mr. BUCKLAND. No, sir.

Mr. HARDY. Why would it not be the effect?

Mr. BUCKLAND. First of all, I do not admit your premises that we are trying to "play Providence."

Mr. HARDY. It looks to me like that, if that is what you mean by "building up New England."

Mr. BUCKLAND. About 65 per cent of our stock is owned in New England, and of that amount over one-half is the investment of people who are dependent upon their dividends and returns from our capital for their support, in a large measure. I wish to answer the question: It is not the part of Providence, but is the part of hard-headed, selfish business interest for us to see to it that New England—

Mr. HARDY. You are getting close to the line now.

Mr. BUCKLAND (continuing). Maintains its present status, at least as against the other communities in this country more advantageously situated with reference to the raw material than is New England. There is not a ton of coal in New England, there is not a ton of iron in New England, of copper, or cotton, or wool, or of any of these raw materials. We have nothing there, sir, but the ingenuity of our people, their thrift, the skilled labor, a few water powers, and our climate. The commodity in which we deal is transportation, a commodity vital to an evening process which shall put New England or keep New England at least on the map as competitors with other parts of this country, and only by becoming successful competitors can they prosper, and only by their prospering can we obtain any revenue.

The CHAIRMAN. As I understand it, you want New England to be in a condition that her manufacturing interests may deliver their commodities, say, on the Pacific coast in competition with any others?

Mr. BUCKLAND. Yes; not only on the Pacific coast, but everywhere else.

The CHAIRMAN. You would want to be in a position where you could gather and deliver in New England to her factories raw material upon which she is dependent for the prosperity of her industries?

Mr. BUCKLAND. Yes, sir.

The CHAIRMAN. And to do that you think that the New York, New Haven & Hartford Railroad should own ships for that purpose, so that these industries may continue to be fostered and furnished tonnage for your road's earnings?

Mr. BUCKLAND. I should just like to modify that answer this way—it should not be prohibited from owning ships if it becomes necessary to do that.

Mr. HARDY. Understand, I am not against the enterprise of New England going into the ship owning and operating business; but when you make a combination between your railroads which go across the continent and your ships which go around the continent you have destroyed all opportunity for any competition, and unless there is some severe regulation and effective regulation, you put the welfare of New England and the balance of the country concerned in that transportation in the hands of one combination.

Mr. BUCKLAND. Mr. Hardy, answering that question—and I did answer it, I thought, before the Panama Canal Committee, and we are going a little afield in this, but I feel as if I ought to say it—I think if you had permitted transportation through the canal to be absolutely free and untrammelled the question of your \$1.10 a ton registered cargo does not cut any figure one way or the other.

Mr. HARDY. Not much.

Mr. BUCKLAND. You would have had a competition and traffic through the canal such as the world never has seen, and my reasons are these: Speaking as a railroad man, there never has been a time when the transcontinental roads were able to get anywhere nearly together on any question regarding transcontinental rates; and if you take the one which was attacked most of all, the Southern Pacific, that desired to go through the canal, and conceive that it would establish a good line of steamers through the canal operating into the Atlantic ports, I do not believe it would have been six months before the Northern Pacific, the Great Northern, the Santa Fe, and the St. Paul would have insisted that they should have their own lines through that canal and into their own terminals rather than to depend upon a road whose interest it was to turn all the revenues to the particular road that owned the ships.

The CHAIRMAN. Either that or else there necessarily would have followed a community of interests in the lines.

Mr. BUCKLAND. I think the Supreme Court has taken care of that, and I do not believe the physical or economic conditions will permit it. I know that so far as our own line is concerned we should never be dictated to by any transcontinental line as to how we were to deliver our manufactured New England goods into Pacific coast ports or any other ports.

Mr. HARDY. But the trouble about it—this thing could become bigger and bigger every year. The tendency is to combine, and after a while the interests would all agree on a certain program, and what on earth can stop them?

Mr. BUCKLAND. The thing that you last cite is that you distrust your own Government, your own Interstate Commerce Commission, whose function it is to control that very situation.

Mr. HARDY. Have we not the right to distrust it, if for 20 years they could not get it established that they had the power to fix the rate?

Mr. BUCKLAND. You have that power to-day; the rates are fixed; they have the right to control it, and they are controlling it down there on F Street every day. If you will permit me to say it, I feel

that the interest of the public which you as legislators are bound to conserve lies in giving them proper rates and proper facilities.

Mr. HARDY. Giving the public that?

Mr. BUCKLAND. Giving the public proper rates and proper facilities. That is right and fair, and it does not make any difference if by one or a dozen lines.

Mr. HARDY. It makes a heap of difference whether it is a temporary or permanent one.

Mr. BUCKLAND. If you have not a permanent one, you charge dereliction of duty upon the body you have invested with the power to take care of that situation.

Mr. HARDY. Of the inability—they may not be derelict, and yet hunting with all their might to find themselves incapable.

Mr. BUCKLAND. I have not found them confessing any incapability in that respect. I am afraid that we should get into a digression here.

Mr. HARDY. Do you think combination is the solution of the whole thing, or monopoly?

Mr. BUCKLAND. Mr. Hardy, I do not see economically how, as I said before, competition and governmental regulation can coexist long.

Mr. HARDY. I thought you were opposed to both maximum and minimum regulation by the Government, so that it knocks at the Government?

Mr. BUCKLAND. I did not say so.

Mr. HARDY. Are you in favor of Government minimum rate?

Mr. BUCKLAND. On port-to-port business?

Mr. HARDY. Yes.

Mr. BUCKLAND. I said I did not know enough about port-to-port business to answer that question. I was talking vicariously—I thought you understood that—when I was talking about port-to-port business. I would a good deal rather have the gentlemen who are competent to speak upon that answer you.

The CHAIRMAN. You were suggesting the reasons they were giving?

Mr. BUCKLAND. Yes.

Mr. BURKE. I would like to inquire of Mr. Buckland where a copy of the Massachusetts report upon the physical valuation of your railroads can be obtained?

Mr. BUCKLAND. This is the only copy I have. It is issued in Boston by the Wright & Potter Printing Co., State printers.

The CHAIRMAN. You can get it in the Congressional Library.

Mr. BUCKLAND. It is in the Congressional Library.

You asked me to furnish you some statements. I think I read that—in regard to the relation of our earnings to our operating expenses.

The CHAIRMAN. Yes.

Mr. BUCKLAND. I have had Price & Waterhouse, chartered accountants of New York City, take for 30 months our earnings and revenue on freight, passenger, mail, and express, for the purpose of presenting to the Railway Mail Pay Commission some facts in regard to receipts and deficits, and I will make up and give you a little later a résumé of that situation.

The CHAIRMAN. I want the total receipts.

Mr. BUCKLAND. I do not think it gives that. If there is anything you want I will come before the committee at any time and give it to you.

The CHAIRMAN. What I want is total receipts and expenditures.

Mr. BUCKLAND. I will try to get that for you.

TESTIMONY OF R. C. MOORE, FREIGHT TRAFFIC MANAGER, MERCHANTS & MINERS' TRANSPORTATION CO., BALTIMORE, MD.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Please give your full name, residence, and business to the committee.

Mr. MOORE. R. C. Moore, freight traffic manager, Merchants & Miners' Transportation Co., with headquarters in Baltimore.

The CHAIRMAN. Between what ports does your line operate?

Mr. MOORE. Boston, Providence, Fall River, Philadelphia, Baltimore, Norfolk, Newport News, Savannah, and Jacksonville.

The CHAIRMAN. Give us each line separately.

Mr. MOORE. We have a line from Providence via Fall River to Philadelphia, a line between Boston and Philadelphia, a line between Philadelphia, Savannah, and Jacksonville, a line between Baltimore, Savannah, and Jacksonville, a line between Baltimore, Newport News, and Boston, a line between Norfolk and Boston, a line between Baltimore and Newport News, Norfolk, and Providence.

The CHAIRMAN. Between what ports is yours the only line?

Mr. MOORE. The only direct line?

The CHAIRMAN. Yes.

Mr. MOORE. Well, there is no other line between Baltimore and Savannah and Jacksonville. There is a line between Philadelphia and Jacksonville. There is no other direct line between Philadelphia and Boston, or between Philadelphia and Providence, nor is there any direct line between Norfolk and Boston.

The CHAIRMAN. So that the line between Philadelphia and Jacksonville is the only other competing line?

Mr. MOORE. It is the only direct competing line between any two ports served by us.

The CHAIRMAN. What line is that?

Mr. MOORE. It is the Southern Steamship Co.

The CHAIRMAN. How do your rates and those of the Southern Steamship Co. compare?

Mr. MOORE. As a general proposition they are about the same. In some cases their rates are lower than ours. Whether we have any rates lower than theirs I can not say offhand.

The CHAIRMAN. There is no disposition on the part of either to cut the rate?

Mr. MOORE. Well, so far as we are concerned, we aim to charge reasonable rates. Of course, competition enters into what we charge in a good many cases. We may handle shipments at an unreasonable rate, yet competition forces us to charge that rate or else retire from the business.

The CHAIRMAN. Competition with this other line?

Mr. MOORE. Not only with this other line, but what we term "tramp" service. The longer the water haul the keener the tramp competition is.

The CHAIRMAN. That is on cargo—

Mr. MOORE. Any business that a steamer line handles capable of cargo movement—and cargo concentration—competition on that with outside tramp lines, whether steamer, barge, or sail, is very keen, and the longer the water haul the keener competition is.

The CHAIRMAN. How about package freight?

Mr. MOORE. In package freight the competition is not as keen as it is on stuff that is capable of cargo movements. There is some freight moving in packages, however, which is capable of that. I have in mind particularly canned goods out of Baltimore. That movement is very heavy and capable of cargo movements, and for that reason competition is particularly keen.

The CHAIRMAN. Do you operate on your tariff in port-to-port business?

Mr. MOORE. I beg your pardon.

The CHAIRMAN. Do you operate on your tariff in port-to-port business?

Mr. MOORE. Yes; we have a tariff, which is not on file with the commission, however.

The CHAIRMAN. The Southern Steamship Co. also operates on a tariff?

Mr. MOORE. I believe so.

The CHAIRMAN. And those tariffs are the same, practically?

Mr. MOORE. Without having compared them personally I would not say. On the whole, I should say they are practically the same. There may be some few commodities on which there is a difference.

The CHAIRMAN. Those commodities, however, are relatively unimportant?

Mr. MOORE. I should say that those are the commodities that move in large quantities. Take naval stores northbound, I do not know what rate they are charging. Take lumber, I do not know what rates they are charging.

The CHAIRMAN. Do you have any conference or any understanding between you as to fixing the rates?

Mr. MOORE. We have no agreement as to any rates between our ports with anyone.

The CHAIRMAN. Have you any conference as to rates?

Mr. MOORE. We occasionally confer with our rail connections, and we occasionally confer with the steamship lines, but there is no agreement at all, even on the port-to-port traffic.

Mr. HARDY. You say the commodities are all considered important, but they are more in the nature of cargo commodities, are they not?

Mr. MOORE. That, I should say, is largely true.

Mr. HARDY. There is hardly any difference to amount to anything in what is called regular package freight?

Mr. MOORE. They have some lower rates than we have on what is known as package freight. I can not say what that is, but I dare say you have that information here.

The CHAIRMAN. What is your service between Philadelphia and Jacksonville?

Mr. MOORE. Three sailings a week in each direction.

The CHAIRMAN. And what is that of the other line?

Mr. MOORE. I really do not know; I think it is sometimes once a week and sometimes once in two weeks. They will have to speak for themselves.

The CHAIRMAN. Do they give a regular service, or is it irregular?

Mr. MOORE. I can not answer as to that.

The CHAIRMAN. The statement made by Mr. Buckland with reference to the interests of the New Haven Railroad in the Merchants & Miners' Line is correct, as you understand it?

Mr. MOORE. As I understand it, it is correct.

Before I leave I would like to confirm what Mr. Campbell said, in that the New Haven road has no control over us in the matter of our rates, but the conference we may have with the New Haven road in the matter of rates is as between the two connections. We look upon them as a connection of ours.

The CHAIRMAN. Your line is virtually an extension?

Mr. MOORE. That is the way in which I look upon it. The only points in which we are strictly competitors are Boston, Providence, and Fall River to the South.

The CHAIRMAN. But you are not competitors with them between any points from New York north, including New York?

Mr. MOORE. No, sir.

The CHAIRMAN. Of what traffic association is this line a member?

Mr. MOORE. You have that information. You furnished us with a list of inquiries.

The CHAIRMAN. You need not state it. Is it not the rule of the traffic association that it requires unanimous consent for a new line to come into the association?

Mr. MOORE. I really can not answer as to that. I am not familiar enough with the articles of association, or whatever they might be termed, to say just what is required to admit a line to membership.

Mr. HARDY. Does your association publish the through rates as required by the interstate commerce law?

Mr. MOORE. All our rail and water rates are on file with the commission, and every regulation we have applicable to rail and water business is on file.

Mr. HARDY. Is that published by this association?

Mr. MOORE. No; it is published by us as a rule, or by an agent of ours, duly appointed under the regulations as prescribed by the commission.

Mr. HARDY. We were told the other day that certain conferences or associations of steamship lines published these through rates, and that an outsider could not get the benefit of that unless he was allowed to get into that association.

Mr. MOORE. I do not know just what they were referring to. Any rates that any other steamship line I know of publishes are published either under their own I. C. C. number or under the I. C. C. number of their agent, under the regulations prescribed by the Interstate Commerce Commission. They are not published by any association, but by the lines themselves or their agent. For instance, we make a given tariff, and instead of having a half dozen different tariffs all of the rates will be carried in one tariff. The commission will not

allow you to have a half dozen I. C. C. numbers on that tariff, so the lines appoint one man as their agent, and his I. C. C. number is used.

Mr. HARDY. Have you the same man as your agent that the other companies have?

Mr. MOORE. Yes. Take Mr. Ryan, for instance, at Richmond. He is the agent of the Old Dominion, the Clyde, the Merchants & Miners, the Seaboard Air Line——

Mr. HARDY. Have you read Mr. Warfield's testimony?

Mr. MOORE. I have not.

Mr. HARDY. He stated he could not get the benefit of the prorating that was given other members of the association without going to great expense to publish rates, which his line could not well afford to do, while these others got together and shared that expense.

Mr. MOORE. I did not read Mr. Warfield's testimony, and do not know to what he referred.

The CHAIRMAN. You gave us in your return the port-to-port rates of your company. Now, do you conform to them; are those the actual rates?

Mr. MOORE. We absolutely do. We have no specialties, as you term them; that is, we do not charge one man a lower rate than somebody else. Whatever rate we have applies to all alike.

The CHAIRMAN. And the published rates are the rates you actually charge?

Mr. MOORE. They are the rates we actually charge.

The CHAIRMAN. Do you mean to say that there is no discrimination between shippers?

Mr. MOORE. Absolutely none.

The CHAIRMAN. Either as to quantity——

Mr. MOORE. I repeat that whatever rates we have in effect apply to all alike under the same circumstances and conditions.

The CHAIRMAN. Well, you say, "The same circumstances and conditions." If one shipper ships, say, a large amount of freight a year and another shipper a small amount, does the larger shipper get a preferential rate?

Mr. MOORE. The only unit of difference we make is the carload and less than a carload.

The CHAIRMAN. You have what you call the carload rate and the less than carload rate?

Mr. MOORE. Yes.

The CHAIRMAN. And that is the only difference?

Mr. MOORE. That is the only difference.

The CHAIRMAN. Have you any contracts with shippers?

Mr. MOORE. We have none.

The CHAIRMAN. You grant no rebates?

Mr. MOORE. None.

The CHAIRMAN. You treat all shippers alike, except that there is a less rate for a carload or more than for less than a carload?

Mr. MOORE. Yes, sir.

(Thereupon, at 5.40 o'clock p. m., the committee adjourned to meet to-morrow, Friday, February 14, 1913, at 10.30 o'clock a. m.)

FRIDAY, FEBRUARY 14, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Stone, Humphrey, Stevens, Wilson, Ayres, Faison, and Post.

TESTIMONY OF MR. H. H. HAINES, TRAFFIC MANAGER OF THE GALVESTON COMMERCIAL ASSOCIATION, GALVESTON, TEX.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Haines, what is your position?

Mr. HAINES. I am traffic manager of the Galveston Commercial Association, Galveston, Tex.

The CHAIRMAN. Have you a statement you desire to make before we interrogate you?

Mr. HAINES. I understood, Mr. Chairman, that you desired some information with respect to the rate situation which now exists, and which has existed for a number of years past, from points in the Central States to Texas points, both via all-rail routes and via the rail-and-water routes through New York and Galveston. If it is your desire to have that information, I can recite those conditions to you as they have existed since 1886.

In 1888 and 1889 I was a stenographer and rate clerk in the office of the general freight agent of the International & Great Northern Railroad at Palestine, and it was there that I first became familiar with this Texas situation. At that time and for some time prior thereto—I do not know how long—rates to Texas were made on a fixed rate to St. Louis which applied to all Texas common points. Rates from points beyond St. Louis, in Chicago territory, Cincinnati territory, Detroit territory, and Cleveland territory were made on fixed differentials over the St. Louis rate. For instance, if the first-class rate from St. Louis to Texas common points was \$1.37, and the first-class differential from, say, Pittsburgh territory was 20 cents, the rate from Pittsburgh to Texas common points would be \$1.57 first class. If the rate from St. Louis was changed and made, say, \$1.27, the rate from Pittsburgh territory would be changed accordingly. That is, it would still be made by adding the 20 cents differential, and it would become \$1.47. That parity of rates was maintained consistently. The rate from New York to Galveston was fixed at a given rate. Say that first-class rate was 75 cents, then there was added to that rate the local from Galveston to the Texas common point, which we will say was 87 cents.

The CHAIRMAN. Are you speaking of the water rate or the rail rate?

Mr. HAINES. I am speaking of the water rate from New York to Texas common points, to the same destinations that were covered by this rate arrangement, all rail, that I have just described.

The agreement, then, between the rail lines operating all rail and between the rail and water lines operating via the Gulf route was such that any change in the rate from St. Louis to Texas common points was immediately reflected to the same extent in the rate from

New York via the water route. In other words, if a rate were reduced from St. Louis a corresponding reduction was made from all defined territories via the rail lines, and the same corresponding reduction was made via the water route. There was a tacit agreement, if not a positive one, to the effect that the business which originated in the Eastern States, and east of a line drawn north and south through Buffalo and Pittsburgh, should move via the water route, while the business which originated west of that line, including the Pittsburgh business, should move via the all-rail routes. That had the effect of absolutely preventing any competition between the water lines and the all-rail lines for the business, and was a fixed arrangement which established the territory in which each one of those two systems of carriers should operate.

At that time, in 1888 and 1889, until 1898, as I recall it, there were but two steamship companies in operation between New York and Galveston (in fact, between New York and any Texas port), the Mallory Steamship Co. and the Morgan Steamship Co. In 1898 an independent company was put into the business, called the Lone Star Steamship Co. It was owned, I am advised, by the Hogans of New York. Their Galveston representative was Mr. Daniel Ripley. I have forgotten the number of boats that were in that service to Galveston, but I believe there were three or four. One of them, I remember quite distinctly, was the *Merrimac* which was subsequently sunk in Santiago Harbor by Capt. Hobson.

Prior to the establishment of the Lone Star Line the rates which were in effect from New York to Galveston were, as I recollect it, about 75 cents per 100 pounds first class. I can not be positive of that, and I have not the specific data here, but it would be available in the records of the Mallory Line. The Mallory Line and the Morgan Line had a through working arrangement with the rail lines in Texas by which through bills of lading could be issued from New York or the seaboard-territory points to points in the interior of Texas. But the rail carriers refused to enter into the same sort of an arrangement with the Lone Star Line. As I recall it now, the Lone Star Line began operations by announcing a rate of 25 cents first class from New York to Galveston, which was practically one-third of the old rate that had been carried by the Mallory and the Morgan Lines. I heard Mr. Daniel Ripley, who was the agent of that line at Galveston, testify in a hearing before the Interstate Commerce Commission at Galveston. Mr. Ripley's testimony there was to the effect that in two months, at the 25-cent rate basis, the Lone Star Co. made \$80,000.

Mr. HUMPHREY. How many vessels did they have in operation?

Mr. HAINES. I think, Mr. Humphrey, it was three or four. I do not recall exactly. It was not very many, however. The best of my recollection is that there were four ships in that service, and, as I said before you came in, one of them was the *Merrimac*. Possibly you were here.

Mr. HUMPHREY. No.

Mr. HAINES. One of them was the *Merrimac*, which was subsequently sunk in Santiago Harbor by Capt. Hobson.

As the result of the beginning of this independent service efforts were made by the old established lines to effectually put them out of business. The rail lines refused to make joint rates or transportation contracts with them. The rail lines at Galveston even refused to receive their freight unless all charges from Galveston to final destination were prepaid.

Mr. HUMPHREY. When was this, in 1899?

Mr. HAINES. In 1898; somewhere about that period. To make a long story short, an arrangement was entered into by the rail carriers in Texas with the Mallory and the Morgan Lines for a through rate from New York to points in Texas, which was 2 cents per 100 pounds more than the rate from Galveston. In other words, if the rate from Galveston to a given point in Texas was 88 cents, the rate from New York to that same point would be 90 cents. This 90-cent rate was divided between the water carriers and the rail carriers, as I recall it now, 50 and 50. In other words, the water carriers, the Mallory Line and the Morgan Line, would get 45 cents and the rail lines in Texas would get 45 cents, which was a reduction in their local rate of about 50 per cent. But the fact that the rail carriers refused to enter into that same sort of an arrangement with the Lone Star Line made it necessary for that line, if they were to compete with the Mallory and the Morgan Lines, to carry freight from New York to Galveston for 2 cents per 100 pounds. Notwithstanding that fact, there were a great many shippers in Galveston who patronized the Lone Star Line. One firm I recall quite distinctly, Adoe & Lobit, received from the Lone Star Line a check at one time for 23 cents per 100 pounds on some shipments that had been made from New York, and they sent it back to the Lone Star Line with the statement that they were prepared to bear their share of the burden of introducing competition into that traffic. Of course no line could operate from New York to Galveston for 2 cents per 100 pounds.

The Spanish-American War came on just about that time and the Government was anxious for American ships, and my recollection and understanding is that those ships were either chartered or sold to the American Government by the Hogans. Mr. Dillard tells me that two were chartered and two were sold, and probably that is correct. That was a good opportunity for the Hogans to dispose of their vessels to the Government and get out of a situation that was very discouraging, and they did so. Immediately, of course, after their discontinuance, the old basis of rates went into effect.

The CHAIRMAN. That is, the rate of 75 cents?

Mr. HAINES. Somewhere in that neighborhood, Mr. Chairman. I do not remember the exact figure. We had then no more independent service in the Atlantic to Gulf ports and Galveston trade until, as I recall, July, 1908. For 10 years the Mallory Line and the Morgan Line operated the business entirely, and the same condition that existed prior to 1898 was reestablished. Changes in rates from St. Louis were reflected in the rates from New York. Changes in rates from New York to Galveston were immediately reflected in the all-rail rate, and the old division of territory that I described again became effective. In 1908—I think it was July of that year—there was established from New York to Texas City, which is a

support of Galveston, on Galveston Bay, a steamship service known as the Texas City Terminal Co. This service was inaugurated by Mr. C. L. Dimon, and the vessels employed in that service were the vessels that had formerly been used by the Brunswick Steamship Co. on the Atlantic coast. As I recall those vessels, they were the *Ogeechee*, the *Saltillo*, the *Altamaha*, the *Ockmulgee*, and the *Ossabaw*. These vessels were built on the Lake type of vessels. They had all of their machinery aft and all of their hold space forward. Mr. Dimon entered into contracts with the American Steel & Wire Co. by which he agreed to transport the products of that company from New York to Texas City for a certain remuneration, and that evidence is on file with the Interstate Commerce Commission.

An arrangement was also made by the Texas City Co. which operated and controlled the support of Texas City, whereby these products of the American Steel & Wire Co. were stored in the warehouses of the Texas City Terminal Co. at Texas City. The result of the inauguration of this service in 1908 was another rate war. Prior to that time the Mallory Line and the Morgan Line had filed their port-to-port rates with the Interstate Commerce Commission. The Texas City Steamship Co., not having filed their rates with the Interstate Commerce Commission, were enabled to quote on a moment's notice any change in rates that they saw fit to make.

THE CHAIRMAN. Do you understand that applies to port-to-port rates?

MR. HAINES. It did at that time, because the tariffs were filed with the commission. So the Mallory Line and the Morgan Line withdrew their port-to-port rate from file with the commission. They also withdrew through rates from seaboard territory to Galveston, but they have always maintained, and do yet, with the Interstate Commerce Commission the through rates from seaboard territory to interior Texas points.

MR. HARDY. How do you mean that? That they withdrew their through rates from seaboard territory to Galveston, and at the same time maintained the through rate from seaboard territory to interior points?

MR. HAINES. That is correct, Mr. Hardy. They had published through rates from seaboard territory to Galveston, which were a fixed differential over the rate from New York to Galveston, and which embraced a big slice of territory in the New England States.

MR. HARDY. They withdrew that rate?

MR. HAINES. They withdrew that rate. So that the only rates that were in effect to Galveston proper from seaboard territory were a combination of locals on New York.

I am unable perhaps to give you details of all of the changes on those rates. Suffice it to say that a very merry rate war occurred. Iron and steel articles, which had formerly been carried from New York to Galveston for 25 and 30 cents, got down as low as 5 cents. Canned goods, which had formerly been carried for 30 cents, got down as low as 10 and 12½ cents. And the same condition existed in respect to a great many other commodities. Dry goods was one of them. The previous rate on dry goods had been 75 cents per 100 pounds. That got down as low as 25 cents in carloads and 35 cents

in less than carloads. Now, gentlemen, I may be incorrect in some of my statements. Understand I am giving them from memory, but the principle I seek to inform you of is absolutely correct.

That condition lasted for a couple of years. I had occasion to investigate the increase in the movement of business via the port of Galveston for the first 12 months after these reduced rates had gone into effect, and I found there was an increase over the previous 12 months' business of somewhere between 150,000 and 200,000 tons. The result of that rate war made it possible for the steamer lines out of New York to go as far west as the Mississippi River for freight, which was taken to New York, loaded on those steamers, hauled to Galveston, and those shipments reloaded on rail lines there and shipped to interior Texas points at a cheaper rate than it could be moved all rail. I have in mind a shipment of a carload of axes, which originated at Bolton, Ill., on the Mississippi River, and which moved via New York and Galveston to Houston, Tex., at a cheaper rate than it could be moved all-rail from the Mississippi River points direct to Houston. There was such a heavy cut in the rates from New York to Galveston that the all-rail lines from St. Louis made no effort to meet those figures, and the all-rail rates remained practically stationary.

I should have said that some time in August, I think it was 1908, there was an advance in rates from St. Louis to Texas common points. I do not recollect the advances on the different classes. The advance on first class, for instance, was 10 cents. That same advance in rates was made from New York to Texas common points and to Galveston, and the New York rate, which had previously been 75 cents, first class, was made 85 cents, first class. But it was just at this time that the Texas City Steamship Co. came into being, and the withdrawal by the Mallory and the Morgan Line of their port-to-port rates from file with the Interstate Commerce Commission made it possible for them to meet, sometimes to exceed in the cut, the rates made by the Texas City Steamship Co. That condition lasted, I believe, for about two years. I can not give you the exact date, but the next thing we knew about that proposition was that the boats of the Texas City Steamship Co., which I have mentioned, were found to be registered in the Department of Commerce and Labor as the property of the Clyde Steamship Co. The Clyde Steamship Co. is one of the component parts of the Atlantic, Gulf & West Indies Steamship Co., of which the Mallory Line is also a part. After that information was secured we gradually saw advances in rates continuously up to the present time and within the last few days we have had additional advances in rates.

I should have said, too, that prior to the entrance of the Texas Steamship Co. into this service there was a very small list of commodity rates from New York to Texas points, I should say probably 75, but with the advent of the Texas City Steamship Co. into the service a great many articles were taken out of the class rates and put into the commodity rates. We had a list of commodity rates of possibly 500. Within the last few weeks many of those commodity rates have been canceled and the commodities are now being handled upon the class-rate basis.

Mr. HARDY. Which is the higher?

Mr. HAINES. The class rate.

Mr. HUMPHREY. What is your rate now?

Mr. HAINES. New York to Galveston?

Mr. HUMPHREY. Yes.

Mr. HAINES. Seventy-five cents, New York to Galveston.

Mr. HUMPHREY. You said there had been a raise just recently, I understood.

Mr. HAINES. Mr. Dillard has prepared a list of these recent changes in rates, and perhaps he had better give you them when he gets on the stand. The present rates in effect from New York to Galveston, which became effective December 16, 1912, are as follows: First class, 75 cents; second class, 63 cents; third class, 55 cents; fourth class, 48 cents; fifth class, 32 cents; class A, 36 cents; class B, 32 cents; class C, 27 cents; class D, 26 cents; class E, 26 cents. These class rates supersede the commodity rates, which have been in effect for a number of months, and take the place of the old class-rate basis which existed via the Texas City Steamship Co. of 25 cents on the first four classes where the present rates are 75, 63, 55, and 48 cents.

Mr. HARDY. When did that sale to the Clyde Line take place or when did you discover that had been consummated?

Mr. HAINES. Sometime the latter part of 1909 or the fore part of 1910. That information was filed in a hearing before the Interstate Commerce Commission, known as the Southwestern Shippers' Traffic case, and the certificate of registration, or a certified copy of it, was filed in that hearing by Mr. John T. Marchand, special attorney for the Interstate Commerce Commission at a hearing which was held at Galveston.

Mr. HARDY. In 1909 or 1910?

Mr. HAINES. I have forgotten the dates.

Along about the same time the Texas City Steamship Co. came into being, there was established from Baltimore to Galveston a steamship service known as the Baltimore & Texas Steamship service, of which Mr. John F. Lent was traffic manager. Mr. Lent's address at that time was Pittsburgh. That line operated from Baltimore. It was the first service we had had to Galveston from any Atlantic port south of New York. The rates, you should understand, from Pittsburgh territory to Baltimore are on iron articles 1½ cents per hundred pounds or 30 cents per ton less than they are to New York and any line that can operate out of Baltimore to Galveston can save to the shipper 30 cents per ton in the cost of rail transportation from Pittsburgh territory to the Atlantic coast, even though he make the same rate out of Baltimore that is made out of New York to Galveston. That line operated for some few months also. It had a Galveston agency, used chartered boats, the Luckenbach's particularly. They chartered, I understand, for the southbound movement only, the northbound movement being taken care of by loading sulphur at Sabine, or phosphate rock at Tampa. About the same time that the Texas City Steamship Co. began to lose its prestige as a rate maker the Baltimore & Texas Steamship Co. suddenly went out of business. The last ship which they moved to Galveston was handled down there by the agents of the Texas City Steamship Co. And Mr. John F. Lent, who had been traffic manager of the Baltimore & Texas

Steamship Co., accepted service with the Mallory Line. The Baltimore & Texas Steamship Co. has been consistently out of business ever since.

Mr. HUMPHREY. You mean they do not run their vessels?

Mr. HAINES. No, sir; they do not and have not since that period.

Mr. HARDY. Do you know in whose name those vessels are chartered now?

Mr. HAINES. I do not. They are owned by the people who owned that Luckenbach line of boats; and they charter them, I am told, to a number of people who may want to use them at different times. I do not believe they are operating on any regular schedule. Occasionally one of them will come into Galveston, loaded with coal; some come occasionally loaded with steel rails; and once in a while we find one of them in the Texas Steamship Co.'s service under special charter. That is our information.

The operation of this line out of Baltimore made it possible for the movement of a great many canned goods from Baltimore to Texas points, and at different times the Mallory Line and then the Morgan Line would put a ship into Baltimore and load it with a straight cargo of canned goods when the canned-goods movement would be on. They handled several such cargoes last year, and one or two this year. Since then there has been another independent service inaugurated between the Atlantic ports and Texas, the Seaboard & Gulf Steamship Co., which I am advised is largely owned, or was largely owned by Mr. Hughes, of Abilene, Tex., and was inaugurated by him primarily for the purpose of bringing cargo to the port of Galveston, and as a feeder for his independent line of railroad which operates from the port of Galveston to a connection with the International & Great Northern Railroad, not far from Houston. That railroad line had had no business, and it was necessary to furnish something for it to haul, so I am advised that the inauguration of the Seaboard & Gulf Steamship Co. was for the purpose of feeding that railroad line. It is still operated with a very inefficient and ineffective service, and a service that in nowise affects the volume of the business or the volume of the rate and is utterly impotent, so far as it is a factor in the trade between the Atlantic coast and the Gulf coast.

The CHAIRMAN. What line was that?

Mr. HAINES. The Seaboard & Gulf Steamship Co. There is also in operation now between the Atlantic ports and Port Arthur, what is known as the Southern Steamship Co. The active traffic man in charge of that service is Mr. George De Lanoy. Mr. De Lanoy is also the traffic man of the Texas City Steamship Co, which operates from New York to Texas City, and I am advised that the stockholders of the Southern Steamship Co. and of the Texas City Steamship Co. are largely one and the same, although the properties are operated entirely separately; also that the same stockholders are interested in the stock of the Atlantic, Gulf & West Indies Steamship Co.

The CHAIRMAN. It has been taken over, has it not, by the Agwi Lines?

Mr. HAINES. That is not my understanding. I discussed this matter with Mr. De Lanoy quite recently, and at that time was informed

that they were operated entirely separately and distinct from the Atlantic, Gulf & West Indies properties.

Now, that is briefly, gentlemen, the situation with respect to the Atlantic and the Gulf coastwise business. The Mallory Line and the Morgan Line are to-day practically the only carriers in that trade of moment. They publish the same rates; they make the same changes in their rates at practically the same time and on the same dates. Their through rates are published in a tariff that bears a different cover, one for the Mallory Line and one for the Morgan Line, but the inside of the tariff is identical. I should have said, however, that there is another steamship line that has been inaugurated from Atlantic ports to Texas ports, known as the Gulf Steamship Co. The Gulf Steamship Co. uses boats of the Morgan Steamship Co. The general offices of the Morgan Steamship Co. are also the general offices of the Gulf Steamship Co., and the local agents of the Morgan Line in the West are the local agents of the Gulf Steamship Co. It was announced when this company went into operation that it would handle cargo wherever it occurred from any port to any port, and to those of us who had been in this business for some time it had all the appearance of a fighting machine of the Morgan Line.

Mr. HARDY. You understand it is in fact, do you not?

Mr. HAINES. It is in effect the outfit that is to do the fighting, as we understand, to meet any competition that shows up and to be in a position to go into the same ports and throttle it as soon as it shows up.

Mr. HARDY. And at the same time have not the Mallory or the Morgan Lines changed their published schedules?

Mr. HAINES. Certainly. Here is another situation with respect to the coastwise traffic, and that is Porto Rico. The New York & Porto Rico Steamship Co. operates a line of steamers out of New Orleans as well as New York to Porto Rico; they also operate a service out of Galveston and Port Arthur. While the distance from Galveston and Port Arthur to Porto Rico is practically the same as it is from New Orleans, the rates are considerably higher. Inasmuch as the rates from all western points north of the Texas line to New Orleans and Galveston for export are identical on packing-house products, flour, and things of that kind that move to Porto Rico, it means, with a high rate out of Galveston, that we can not get a share of the Porto Rico business which we should like to have.

The CHAIRMAN. What is the difference in rate?

Mr. HAINES. It varies, Mr. Chairman. It will average about 3 to 8 cents, something like that; sufficient to be felt in a transportation charge.

Mr. HUMPHREY. Do port conditions have anything to do with it?

Mr. HAINES. There are no port conditions of any moment that have any variance, except the price of coal.

Mr. HUMPHREY. How about the wharfage charge? The companies own the terminals in both places, do they not?

Mr. HAINES. No, sir. I understand in the long run the wharfage charges are about the same in the one as in the other. In New Orleans they make a berth rate, and in Galveston they make a ton rate.

Mr. HUMPHREY. Does the city own the wharves at Galveston the same as it does at New Orleans?

Mr. HAINES. Not the same way. The city of Galveston has an interest of 25 per cent in the Galveston Wharf Co., which they obtained by the surrender of the street ends leading to the water. They closed the ends of those streets and turned them over to the wharf company and accepted 25 per cent of the Galveston Wharf Co.'s stock in payment therefor.

Mr. HARDY. That enables you to control the situation, does it not?

Mr. HAINES. It does not enable us to control the situation, but it enables us to handle the situation in a way that suits us. Two of the members of the City Commission of Galveston are directors in the Galveston Wharf Co.

Mr. HARDY. New Orleans owns its wharf stock, does it?

Mr. HAINES. Part of it, only. There are a great many independent properties in New Orleans.

Mr. HUMPHREY. What excuse does the company give for making this difference in charter?

Mr. HAINES. The only excuse they have given us is the extra cost of service, but they never have offered us any figures establishing that.

Mr. HUMPHREY. You mean extra cost of service, where?

Mr. HAINES. To Galveston as compared with the service to New Orleans. They contend it is a longer distance and costs more money.

Mr. HUMPHREY. It is slightly farther, is it not?

Mr. HAINES. About 40 miles, I understand, is the actual sailing difference, which is immaterial in a haul, such as from Galveston to Porto Rico. But we in Galveston sought to overcome that proposition. We attempted to put on our own line and subscribed the money in town to handle the line and made an effort to get an American boat to put in that service. We secured the boat (at least we found one that was satisfactory to us—the terms were satisfactory), and we were prepared to charter it. When we came to close that contract for that boat the people who owned it asked us where we expected to run it, and when we told them to Porto Rico, they responded that under no circumstances could they charter us a boat to put in competition with any of the coastwise lines regularly operated.

The CHAIRMAN. Did those boats belong to the Luckenbachs?

Mr. HAINES. I have forgotten, Mr. Chairman, just what the name of that boat was, but the man who conducted that correspondence and who received that letter was Mr. James S. Lykes, of Galveston, and he can give you all the information about it.

Mr. HUMPHREY. You can get the name of that vessel for us, can you not?

Mr. HAINES. Yes; I can.

Mr. HUMPHREY. Will you?

Mr. HAINES. I shall be glad to. Here is an extract from the letter of the agents proposing to charter that boat:

Your letter of April 9 to hand this morning and contents noted. I wish you would tell me from what point you intend to make your sailings. As a matter of fact, the owners of the (I will supply the name of the vessel) or any other steamer belonging to the coastwise trade could neither be sold or chartered to run in competition to any of the domestic lines running out of New York. This seems to be a natural agreement, so you would have to give me all particulars before going any further into this matter.

And when we did give him all the particulars negotiations had already ceased.

Mr. HUMPHREY. Is that an extract, or are you reading from the letter?

Mr. HAINES. That is an extract from the letter. That is found in a letter which, as secretary treasurer of the Southwestern Shippers' Traffic Association, I sent to every Member of Congress. I expect you got one. **Mr. Humphrey.**

We are, therefore, to-day operating in this coastwise business to Porto Rico at a disadvantage. Ordinarily every other rate out of Galveston to every port in the world is the same as the rate from New Orleans. It must necessarily be so. But Porto Rico, an American possession that buys a world of stuff from Texas every year, is barred to us on the same basis, simply because we have no competition and regulation with that coastwise trade; and the people of Texas, who would be glad to put on their own steamship line, can not get the boats to put in the service.

Mr. AYRES. Why do you not build a boat?

Mr. HAINES. You fix it so we can build a boat at a reasonable price and we will build it.

Mr. HUMPHREY. You can get your boats built on the same basis as those you run in competition with, can you not?

Mr. HAINES. Yes, sir; but we never know, after we have put our money into that proposition, how long it is going to last and how long we are going to be protected. I have had a little experience of my own in the steamship business.

Mr. HUMPHREY. Let us understand what you mean by being protected.

Mr. HAINES. I mean protected against the operations of these heavier lines and older lines and being destroyed. The people of Galveston had an experience in this line. Every port in the United States is talking about the benefit that is going to accrue to it by the opening of the Panama Canal; every port is saying that sort of thing. Galveston is the only port in the United States that has made an effort to establish steamship connection with the Panama Canal other than that which has already been established. Galveston people put up their own money to furnish this steamer service, and we did not last any longer than the snowball you hear about sometimes.

Mr. HUMPHREY. Suppose, for the sake of the argument, then, you had a ship given you; how long could you run it under the conditions that exist now?

Mr. HAINES. About 40 minutes.

Mr. HUMPHREY. That is what I say. That is what I was thinking. What would be the advantage, then, of giving you a cheap ship? You could not run one if you had it given to you.

Mr. HAINES. Yes; the advantage in giving us a cheap ship would be the advantage we would have in the foreign trade.

Mr. HUMPHREY. I mean to Porto Rico. If you are correct in your statement—and I haven't any reason to doubt it, because it coincides with the testimony as to what happened everywhere else—you could not do it. But suppose that now the citizens of Galveston should have two vessels given to them, you could not run them between that port and Porto Rico under the present conditions. They would immediately crush you out, would they not?

Mr. HAINES. Immediately; yes, sir.

Mr. HARDY. Let me suggest that we do not get into that argument just now. I did not understand the witness to say anything about the difficulty being free ships or otherwise. He says it is this combination.

Mr. HUMPHREY. He says if he had a cheap ship, it would be an advantage.

Mr. HARDY. What he is after is this combination.

Mr. HAINES. What I want to do when this thing is corrected is to relieve us from all the difficulties and not a part of them. Let us not have to come back here again. Let us finish it now.

Mr. HARDY. What we desire now is to get after this combination which exists, so that any independent man can go in there, whether he has a million-dollar ship or not.

Mr. HAINES. That is the situation.

Mr. HUMPHREY. I think we will agree that it will be useless to do anything else.

The CHAIRMAN. We are all agreed on that.

Mr. HAINES. That is the situation in brief, gentlemen.

The CHAIRMAN. In other words, it is a game you can not fight, even if you have the ships given to you?

Mr. HAINES. No, indeed.

The CHAIRMAN. We will have to break up the combination.

Mr. HUMPHREY. For information, I should like to ask you what are the products that are shipped principally to Porto Rico from Texas.

Mr. HAINES. Rice, oil, lumber, and flour, and packing-house products considerably.

That is my story, Mr. Chairman, unless you have something else you want elucidated.

Mr. STEPHENS. Can you approximate the quantity of these products which you ship?

Mr. HAINES. No; except on the rice business. I know last year one Galveston mill shipped about 200,000 pockets of rice. A pocket is 100 pounds. I can not give you the rest of them, but the New York & Porto Rico Steamship Co. has sent a number of steamers to Galveston. Among them have been the *Santurce*, which carries about 3,000 tons; the *Berwind*, which is perhaps a little bit smaller; and the *Massapequa*, which carries about 4,500 tons of freight. I have known those ships to be full. But the service to Galveston is very irregular, and there are two things that are essential in a steamship service out of any port—regularity and frequency. Our merchants find a difficulty in doing business in Porto Rico because of the infrequency and the uncertainty of the sailings. Understand that Texas has a great many flour mills. Texas raises a great deal of wheat—about 20,000,000 bushels last year. We have a lesser rate from Texas points to Galveston than there is in effect from Texas points to New Orleans. That is true also on rice; but because of that lesser rate the steamship lines raise their rate so that it makes no difference to the fellow who produces it whether the shipment goes through New Orleans or through Galveston. His advantage in being located near tidewater and near deep water is destroyed by this arrangement on the part of the steamship lines.

Mr. HARDY. Speaking of the western freight that could come through Galveston being charged more from Galveston to Porto Rico than it is from New Orleans to Porto Rico, as a matter of fact, while it is a little further to Galveston from Porto Rico, it is also a little farther from these western points of origin to New Orleans than it is to Galveston, is it not?

Mr. HAINES. That is true, Mr. Hardy. It is 362 miles from Houston to New Orleans, and it is 50 miles from Houston to Galveston. Therefore on every pound of freight that moves through Houston (and that is an open route and the route generally used) the rail distance to New Orleans is 312 miles greater than it is to Galveston.

Mr. HARDY. While from Porto Rico to New Orleans the distance is only about 40 miles less.

Mr. HAINES. In discussing it with some sea captains they tell me that the sailing distance is about 40 miles greater. Understand that in going to New Orleans there is about 107 or 117 miles of river to navigate, and a ship veering off to New Orleans veers off at a considerable distance out in the Gulf before it reaches the Delta of the Mississippi River.

Mr. HARDY. Is this rail rate from Houston to New Orleans for the export business the same as the rate from Houston to Galveston?

Mr. HAINES. Not now. It was up to a few years ago. We complained of that situation and had it remedied.

Mr. HARDY. They had a 12-cent rate on cotton from Houston to New Orleans at one time, did they not?

Mr. HAINES. Yes; they had much lower rates than that. They had a 5 and 6 cent rate from Houston to New Orleans on different commodities.

Mr. HARDY. It is not now the same from Houston to New Orleans as it is from Houston to Galveston?

Mr. HAINES. No; it is not.

Mr. HARDY. That was corrected by your State commission?

Mr. HAINES. Yes.

The CHAIRMAN. Do you know of any relation between the Insular Line and the New York & Porto Rico Steamship Co.?

Mr. HAINES. No, sir; I do not.

The CHAIRMAN. Has Galveston made any effort to establish direct trade with Central America or foreign ports?

Mr. HAINES. Yes, sir.

The CHAIRMAN. Give the committee some information as to the efforts in that direction.

Mr. HAINES. We realized, Mr. Chairman, that all of this talk about the benefit to different ports from the operation of the Panama Canal could only be secured by having steamship service with the Panama Canal. The Panama Canal is not going to be a particle of benefit to anybody, even if they are only 10 miles away, unless they have steamship service there. For that purpose a number of our Galveston people contributed to the stock of a company for the purpose of operating steamers between Galveston and the Panama Canal when it was completed. There is plenty of business moving southbound. There is practically no business moving northbound. The only thing available as northbound cargo was bananas. We therefore began the operation of our company, which was known as the Galveston & Central American Banana & Steamship Co., by making contracts

in Central America for bananas. I made, I think, three trips down there. I made contracts for the fruit. We secured an excellent grade and a good supply of the fruit. We chartered three vessels. We had a paid-in capital stock of \$50,000 to begin with, which was subsequently increased \$20,000. I contributed out of my munificent fortune \$1,500; I got back thirty. We operated a number of boats to Central America with a view to subsequently running those boats to the Panama Canal. When we got our fruit back to the United States we found (for instance, at Dallas, which is the legitimate market of Galveston) that our competitors were selling bananas at 75 cents per hundred pounds. The rate of freight from New Orleans when they shipped their bananas was 72 cents a hundred pounds. It does not take much imagination to see what happened to us and how soon it happened.

The CHAIRMAN. Who was responsible for the happening?

Mr. AYRES. Who was selling at that price?

Mr. HAINES. The United Fruit Co. Now, we had endeavored a number of times to induce the United Fruit Co. to come to Galveston, and they had declined. Consequently we put on this service ourselves. Since our service was established and has been discontinued, the United Fruit Co. has established a service to Galveston. They are operating in there regularly. They are giving us a splendid service, and I want to say to you that we are very glad to have had the opportunity to get that service for \$70,000, and if we can get another one for another \$70,000, we will give it.

Mr. HUMPHREY. So the experiment proved all right after all?

Mr. HAINES. Fine; we got what we went after. That was the main thing.

Mr. AYRES. You lost what you had?

Mr. HAINES. We lost what we had.

Mr. HARDY. And you are now in good shape as long as they see fit to deal tenderly with you?

Mr. HAINES. Yes, sir; we have no fault to find with the service the United Fruit Co. is putting in there. It is improving. We think we have convinced them that it is perhaps to their interest to operate a service to Galveston. At any rate they are doing it. If they discontinue their service out of Galveston it is just possible we might be foolish enough to repeat our former effort. I would not be surprised if we were.

Mr. HARDY. But it is a peculiar condition when you stand simply on the grace of an organization that will not let you help yourselves and is good only when you get out.

Mr. HAINES. It is a most exasperating situation, of course.

Mr. HARDY. What did you do with the boats you had chartered in that venture?

Mr. HAINES. We rechartered them to somebody else and pocketed the loss.

The CHAIRMAN. The Texas people got cheap bananas?

Mr. HAINES. Oh, yes; there is a benefit in it to somebody. That is the first time I have had a chance to be a philanthropist, Mr. Chairman.

The CHAIRMAN. The United Fruit Co. is not offering bananas at the same low rate, I imagine?

Mr. HAINES. To tell the truth, I hate to look into the banana business at all, and I do not know what they are worth.

Mr. HARDY. You do not eat bananas, then?

Mr. HAINES. Oh, yes.

The CHAIRMAN. I advise you to consult the United Fruit Co. before you do. What lines operate out of Galveston to European points, and what is the relation between those points, if any?

Mr. HAINES. Mr. Chairman, there are about 60 lines of steamers operating regularly from Galveston to European ports. That embraces practically all European countries—the English islands, the Scandinavian countries, Russia, Germany, the Netherlands, France, Spain, Italy, and Japan. I can not give you the names of those lines, but the same principal lines that operate out of all American ports are operating out of Galveston.

Mr. STEPHENS of California. Did I understand you to say 60 lines?

Mr. HAINES. Practically 60; yes, sir. The principal lines and the lines we look upon as being the influential lines out of Galveston are the Harrison Line, Leyland Line, and Elder Dempster, which operate to Liverpool. Of course, in trans-Atlantic tonnage Liverpool is the pulse of that market. Your rate from any port to Liverpool feels more keenly the law of supply and demand than does any other marine route. We in Galveston, however, have a little peculiar situation that does not exist in other ports, perhaps.

The CHAIRMAN. Take those three lines, the Harrison Line, Elder Dempster Line, and the Leyland Line. They are operating in harmony, are they not?

Mr. HAINES. Yes; absolutely. Whatever rate one makes, another one makes. Whenever you find out what the rate is via one line, you may bank upon it that is the rate via the other.

The CHAIRMAN. Do they have any conferences that you know of?

Mr. HAINES. I can not say that of my own knowledge. I should have a very poor opinion of my intelligence if I thought they did not.

Mr. HUMPHREY. I think the testimony before this committee has been that there was an open rate upon cotton at all times.

Mr. HAINES. That is not correct. There is no open rate on cotton; that rate varies, but it always varies via the different lines at the same moment.

Mr. HARDY. Are you sure that the cotton rate from Galveston is always the same by all those lines, whether it is up or down, on a given day?

Mr. HAINES. Yes; the only difference in the cotton rate is when a ship comes in and she has, say, a few bales of room left. She has the cotton booked, but it is not in town. She wants to sail that afternoon. They go out in the open market and offer a cent or two off for what they call "distress" room in order to get the cotton that day. If you wanted to book your cotton for any given period subsequent to that date, you would pay the fixed rate, the standard rate, via all the lines.

Mr. HARDY. They have a sort of privilege among themselves to fill space in the way you speak of?

Mr. HAINES. Well, it is not a privilege; it is a matter of business.

Mr. HARDY. I mean by "privilege" it is understood that is not a violation of their program?

Mr. HAINES. Oh, no. The man who books his cotton and fails to get it there could, I suppose, under the common law, be held for that space; he would have to pay the freight on that space—dead room as it is called—if he did not deliver his cotton. It is a convenience to him and a saving to him if they go somewhere else. The other fellow who has the cotton is just smart enough to get a little cheaper rate. But that does not affect the general run of the business.

Mr. STEPHENS of California. Does the regular consignor have to pay that difference?

Mr. HAINES. That is a matter of policy between the agent and the cotton shipper. If you were a steamship agent and the other fellow was a cotton shipper, you might be willing to allow him to do it in order to get his business subsequently.

Mr. STEPHENS of California. As a rule, you think the steamship company pockets its loss?

Mr. HAINES. I think so, as a rule. I have known instances where they did not.

The CHAIRMAN. Well, the testimony before the committee shows that where it is necessary for a steamship to fill up that space, they may, up to a certain limit, go out and procure cargo, so many loads; but that is by agreement between the lines.

Mr. HAINES. I understand that condition exists.

The CHAIRMAN. Name some of the European ports to which lines run out from Galveston.

Mr. HAINES. Liverpool, Manchester, Bristol, Glasgow—

The CHAIRMAN. You name the United Kingdom ports. Take, for instance, Hamburg—

Mr. HAINES. German ports, Hamburg and Bremen.

The CHAIRMAN. What lines operate from Galveston to Hamburg?

Mr. HAINES. The Hamburg-American operates to Hamburg, and the North German Lloyd to Bremen. Neither one takes cargo to the other place. Then we have some independent agencies that have lines of steamers over there. The Wilkins & Beall, for instance, operate to Bremen, Fowler & McVitie to Hamburg.

I started to say to you, Mr. Chairman, that the situation in Galveston is a little different in one respect from perhaps any other port. We have several firms of independent steamship agents there who charter what are called tramp steamers, of which you gentlemen have probably heard, orphans in the marine business, and they load their steamers for their own account during the busy season in Galveston for ports abroad. They are able to get considerable business for that sort of trade, as much as 200,000 bales to the agency perhaps, and that at times has its effect upon the rate situation out of Galveston, but it is never very extensive—a cent or two per hundred pounds perhaps. But the old standard basis of rates is fixed by the old-established, strong lines, and a man who has a tramp steamer always realizes that he can go into the market and, by quoting a cent or two under the regular lines, get his share of the business. He does not get much; the bulk of the business goes via the standard lines.

Mr. WILSON. Do all the lines you have reference to have regular sailings from Galveston?

Mr. HAINES. By regular sailings in the trans-Atlantic service we mean the frequency of sailings—

Mr. WILSON. I have not reference to frequency; I have reference to regularity. Do they sail at regular intervals?

Mr. HAINES. Only two lines have regular scheduled sailings out of Galveston. The Norway & Gulf, which is a line to Scandinavian ports, has a regular schedule, and the North German Lloyd has a regular schedule to Bremen. Both those are passenger-carrying lines. The freight lines in which we are particularly interested bring the ships to meet the requirements of the trade.

Mr. WILSON. The other sailings, then, are more or less infrequent and more or less irregular?

Mr. HAINES. No; they are not more or less infrequent; quite frequent, in fact, but they are more or less irregular. In other words, we do not know this year what will be the sailings next year. We do know that whatever the requirements are those old established lines will put in sufficient boats to meet the situation.

I may say that the average detention of cotton in cars, in Galveston last year, per car, was 2½ bales. Now, on an amount of about 4,000,000 bales that is pretty good service. I do not think there is any port in the country that equals that.

The CHAIRMAN. Take the service in the foreign trade and in the coastwise trade. In which are the rates more favorable to Galveston?

Mr. HAINES. Well, Mr. Chairman, I do not know that we could answer that question. The foreign-trade rates are absolutely the same; that is, from Galveston and from New Orleans, which is our competitor on the Gulf. The coastwise rates have in the last few months been lower to Galveston than they have to New Orleans, due to the competition which existed there, and we have for that reason had an advantage in the coastwise trade over New Orleans. But with the situation as it exists to-day we have absolutely no advantage over New Orleans in the coastwise trade. We have an advantage over New Orleans in the foreign trade, and we are at a disadvantage in the Porto Rico business.

The CHAIRMAN. Take the regular lines from Galveston to points in the Mediterranean, France, Holland, and other points in Europe than those you have named. Are the rates not uniform between the lines?

Mr. HAINES. They are uniform. The rate from Galveston to Liverpool is, as a rule, used as the basis for rates to all those ports. Trans-Atlantic transportation by water, Mr. Chairman, is the only transportation I know of that is at all affected by the law of supply and demand. Three years ago we were shipping cotton from Galveston to Genoa, Italy, for 18 cents per 100 pounds. That was because there was not enough traffic in the world for the ships of the world. Cotton at the same period went to Liverpool for about 22 cents. This year cotton from Galveston to Liverpool brought as high as 70 cents, but now that is a world-wide condition that brought that about. There is a big movement of grain from the Black Sea, a big movement of grain from the River Plata, and all of those things affect the transportation market of the world.

The CHAIRMAN. You mean there is a demand for tonnage?

Mr. HAINES. There is a demand for tonnage, and these same lines that are operating out of Galveston, the big lines, operate to all these other places.

Mr. HARDY. Mr. Haines, I would like to ask you what is the comparative rate on package freight as between New York and Galveston or Liverpool and Galveston? Which is the higher rate?

Mr. HAINES. On westbound business, Mr. Hardy, the cost for transportation from Liverpool to Galveston is lower than it is from Liverpool to New York.

Mr. HARDY. But I am talking about what the rate is from New York to Galveston as compared with the trade from Liverpool to Galveston.

Mr. HAINES. Well, I had occasion to make up a comparative statement of that not long ago.

Mr. HARDY. Yes; I received it.

Mr. HAINES. I remember one commodity in there. That was before the Texas City Steamship Co.'s competition was felt. English crockery could be moved from Liverpool to Galveston for about 8 cents a hundred pounds; but American crockery, made in Liverpool, Ohio, was moved from New York to Galveston for 48 cents a hundred pounds, and that condition existed on many, many commodities.

Mr. HARDY. But, as a general thing, which was the higher, the rate from New York to Galveston or the rate from Liverpool to Galveston?

Mr. HAINES. As a general proposition, the rate from New York to Galveston in normal conditions is very much higher, probably 100 per cent higher, than the rate from Liverpool to Galveston.

Mr. HARDY. That was about my recollection of the per cent in the list of rates that you sent me on one occasion.

Mr. HUMPHREY. How are the rates on cotton between Galveston and New York and Galveston and Liverpool?

Mr. HAINES. I understand that the rates on cotton are ordinarily higher from Galveston than they are from New York or other Atlantic ports.

Mr. HUMPHREY. I do not believe you understand my question. How do the cotton rates from Galveston to New York compare with the cotton rates from Galveston to Liverpool?

Mr. HAINES. The cotton rates from Galveston to New York I have known to be higher than the rates from Galveston to Liverpool, and I have known the reverse to be the situation.

Mr. WILSON. What is the general condition?

Mr. HAINES. The general condition has been that the rates from Galveston to New York are somewhat lower than the rates from Galveston to Liverpool.

Mr. HUMPHREY. I asked you that because I have been confused about it, and I thought I received a letter from you once in which you claimed the other way; but I saw a statement made not long ago that the rate was much cheaper from Galveston to New York than from Galveston to Liverpool, and that it was cheaper per mile.

Mr. HAINES. I have never figured that. Let us see. The distance from New York to Galveston is 1,900 miles, and from Galveston to Liverpool is about 4,000 miles. I have never figured it up per mile, but I should say, from what I have in mind, that the rate per ton per mile from Galveston to Liverpool would on the average be less than the rate from Galveston to New York. I am not sure that is correct.

Mr. HUMPHREY. I think so, although the man who gave me the figures showed to the contrary. That was about a year ago when he gave them to me.

Mr. HAINES. If he picked it out about a year ago, he probably picked out a local situation.

Mr. HUMPHREY. He picked it out at that time because I asked him to at that time.

Mr. HAINES. That condition has existed. Now, for instance, when the rate from Galveston to Liverpool two years ago was 20 or 22 cents, the tariff rate from Galveston to New York was 30 cents. Of course, cotton was carried for less than that, but that was the tariff rate. Those things change, however, but generally speaking you are perfectly safe in saying that the cost of transportation in the American coastwise business is at least 100 per cent greater than trans-Atlantic business.

Mr. HARDY. I think, if you will allow me, that Mr. Humphrey got his impression of that statement from a misconception of my own remarks. I stated you had written me that on quite a great number of articles the rate on them from New York to Galveston was higher than the rate on the same articles from Liverpool to Galveston. He got it reversed, I think.

Mr. HUMPHREY. I have had quite a little correspondence with Mr. Haines—

Mr. HARDY. I think you will find that you have mistaken his letters.

Mr. HAINES. Of course, we want to be perfectly fair with these gentlemen, because there may be a condition in the transportation of trans-Atlantic merchandise from Liverpool to Galveston that tends to make lower rates in that direction than would otherwise ordinarily be made. These ships coming from Liverpool to Galveston have no inward-bound cargo, and consequently any cargo they can get at any price is a profit to them. For that reason they make lower rates westbound than they make to New York where the business is established. Galveston's imports are only about seven or eight million dollars, and their exports about two hundred and fifty million.

The CHAIRMAN. You were referring to the trade to Mexico, Central America, and the West Indies. What lines have you operating in that trade?

Mr. HAINES. We have the Wolvin Line, operating out of Texas City to Mexico; the United Fruit Co. operating out of Galveston to Guatemala, Honduras, Costa Rica, and Panama; we have the United Steamship Co. operating out of Galveston to Cuba and Jamaica; we have the New York and Porto Rico Steamship Co. operating to Porto Rico. But all those lines are members of the Gulf Foreign Freight Committee, which has its headquarters at Chicago, I think. W. H. Hosmer, I believe, is their agent.

Mr. HUMPHREY. Did I understand you to say the United Fruit Co. did not operate to Central America?

Mr. HAINES. They do operate to Central America.

Mr. HUMPHREY. I understood you to say to Cuba and Jamaica.

Mr. HAINES. I said the United Fruit Co. to Guatemala, Costa Rica, and Panama.

The CHAIRMAN. What is the function of that committee?

Mr. HAINES. Candidly speaking, Mr. Chairman, the function of that committee is to make rates and to fix rates. That is their purpose. The steamship lines, having as many ramifications as they have, could not be in business unless they had some sort of arrangement of that character. They are just as incapable of conducting a business profitably where there are so many of them without some sort of pooling arrangement of that kind as children would be, absolutely.

Mr. HUMPHREY. Where are their headquarters? In Chicago?

Mr. HAINES. Chicago, yes.

Mr. HARDY. But with that arrangement they can absolutely destroy anybody else they do not want in?

Mr. HAINES. Absolutely. Mr. Hardy, I want to go on record as saying that it is absolutely essential that these steamship lines be permitted to make some sort of arrangement of that kind. There is not any doubt about it. But we must get into that arrangement some sort of governmental regulation that will protect the fellow they serve.

Mr. HARDY. Before asking you a final question, you said just now the imports of Galveston were some seven or eight millions. Does that include the commodities brought in the coastwise trade?

Mr. HAINES. No, sir; that is foreign business. The total of our coastwise business in value, as nearly as I can get at it, is about \$500,000,000, while the total of our foreign business is practically one-half of that.

Mr. HARDY. The foreign business consisting mainly of cotton exports?

Mr. HAINES. Yes, sir.

Mr. HARDY. And some seven or eight million of imports?

Mr. HAINES. Yes, sir.

Mr. HARDY. And then your coastwise business, what proportion of that is imports and exports to other coastwise ports?

Mr. HAINES. It is all that.

Mr. HARDY. I mean, how much comes into Galveston, and how much goes out?

Mr. HAINES. The imports into Galveston are much heavier than the exports. This year, however, the increase in export coastwise business has been marked and is gradually growing.

Mr. HARDY. The bulk of your goods that come into the port there are coastwise goods?

Mr. HAINES. Of domestic make; yes, sir.

The CHAIRMAN. You have spoken about conditions as they exist. What remedy would you suggest to the committee for these conditions, especially these conference lines, and particularly these traffic associations which regulate and fix rates?

Mr. HAINES. I take this position, Mr. Chairman: That it is essential to the conduct of business successfully throughout this country that our banks, for example, should all be on a firm foundation. An injury to one bank is immediately reflected in all lines of business. I take just the same position with reference to these steamship lines. They can not succeed unless they can operate at a profit. I think they should have a profit, a reasonable profit, but we give, to the coastwise lines particularly, a monopoly of the coast-

wise trade. We do not let foreign ships into that trade. In return for that, it seems to me, that they are nothing more or less than common carriers. They serve our people in a way that nobody else can serve them. It is essential they serve them at a profit; it is essential that the natural advantages of our people be protected as against them. Therefore, it seems to me that these lines should be permitted in some way or other to carry upon a basis of rates that is reasonable to all concerned, and that basis or agreement should in some sense and in some manner be under the supervision or control of the Government.

There are a number of ways in which that might be done. It might be placed in the hands of the Interstate Commerce Commission, with full power to make all sorts of rates under all conditions. Personally, I do not believe the members of the Interstate Commerce Commission, who are, perhaps, as familiar with these regulatory methods as anybody, would urge the adoption of that sort of thing. This is a new move. There are long hauls and short hauls to be considered.

I am personally of the opinion that we ought not at this time attempt to regulate every rate that a steamship company makes, but I do think they ought to be permitted to agree upon a basis. I do think the Interstate Commerce Commission ought to be permitted to have power to make maximum rates and minimum rates to prevent injury to the shipper and to prevent the injury to the investor. I do think disadvantages that may be forced upon a community, the destruction of their natural advantages by those combinations, ought to be punished. Gentlemen, if you are going to pass an act, let us not have any nonsense about the penalty. These fellows do not care about \$5,000 fine; they do not care about a \$50,000 fine. but none of them like to go to jail.

MR. HUMPHREY. But here is the proposition you meet there. Whenever you do that, you catch the agent. He comes before the jury and the jury says, "This man represents the company; he is loyal to their interests and he saw them." They pick out this fellow, while the big man escapes. There is one of the difficulties you always have in enforcing your penalty, and while everybody sympathizes with the position this man is placed in, there is one of the practical difficulties you meet.

MR. HAINES. All right, if you know that condition exists, why not meet it now? You know and I know that the interstate act was a mere farce, so far as rebates were concerned, until the prison penalty was imposed, do you not? You know all during the life of that act only one man ever went to jail, Mr. A. W. Street, the assistant general freight agent of the Michigan Central, because he granted a rebate on a carload of horses, and immediately after he went to jail that punishment was withdrawn, and then we had the spectacle of railroad presidents all over this country coming to the Interstate Commerce Commission, saying: "Yes, we granted rebates, thousands of dollars of them. Forgive us and we will not do it any more." There have been enough rebates granted since that penalty was put on. Let us not have any nonsense about this thing. Let us make it so severe that they will obey the law.

MR. HUMPHREY. I agree with you partly. I think the equity arm of the court, where there is a perpetual injunction facing those peo-

ple all the time, is one of the most effective remedies. For instance, you fine a man and punish him in that way, and that is the end of it; but when you get an injunction against one of these great corporations in the court, that is there all the time; that is there every day.

Mr. WILSON. What is the power of the enforcement of injunction?

Mr. HUMPHREY. The courts.

Mr. WILSON. Is it not the fear of imprisonment? If there is no imprisonment behind the injunction, there would be no power to the injunction, would there?

Mr. HUMPHREY. I was just simply suggesting some of the difficulties in the way of enforcing it.

Mr. HARDY. Your injunction would be an additional imprisonment.

Mr. HAINES. Let us take the present situation——

Mr. HUMPHREY (interposing). I suggest that as one of the general propositions you meet when you attempt to enforce it. It has occurred just recently in several cases that have come under my notice.

The CHAIRMAN. I noticed the other day in Ohio that 23 officers of the National Cash Register Co. were convicted.

Mr. HUMPHREY. I noticed that this morning.

Mr. WILSON. When you attempt to enforce by injunction process then you simply enforce through fear of imprisonment at the discretion of the court, rather than fear of imprisonment by fear of the law. Is not that the only difference?

Mr. HAINES. Absolutely. Although this Government dissolved the Standard Oil Trust, the Tobacco Trust, and the Anthracite Coal Trust, have you noticed oil or tobacco or coal getting any cheaper? It seems to me I paid more for anthracite coal this winter than I have ever paid before in my life.

Mr. HUMPHREY. It would not be any cheaper if you sent them to jail, either.

Mr. HAINES. I think it would.

Mr. HUMPHREY. I do not agree with that general proposition, that these suits have done no good.

The CHAIRMAN. Absolutely none, so far as prices are concerned.

Mr. HUMPHREY. Of course, so far as prices are concerned. But it is not at all certain that you are going to reduce prices.

Mr. HAINES. Mr. Humphrey, we had a sample of this in Galveston in the last 10 days. We have a lot of Italian storekeepers. We have a district law which prohibits the sale of liquor in the residence districts. Those Italian storekeepers have been selling whiskey and beer regardless of the law for months and months in Galveston, in fact, for years. The Federal Government got hold of them the other day (and the peculiarity about Federal acts is that there are only two Federal acts, as I understand it, which provide both a fine and imprisonment, the banking law and the liquor law) and 43 of those fellows are serving sentences now in county jails and you could not buy a drink of booze for love or money in Galveston.

Mr. HUMPHREY. I admit that. That is a different argument.

Mr. HAINES. There is no use temporizing with those things. If you temporize with them now we have all to come back here two years from now and amend the law.

Mr. HUMPHREY. Are you aware of the fact that you can make the penalty of a law so great as to destroy its purpose?

Mr. HAINES. I understand that.

Mr. HUMPHREY. There is no sense in demanding excessive penalties.

Mr. AYRES. Returning to the power of such a commission you have spoken of, how far should it go? You spoke of the necessity of the regularity and the establishment of these lines. Ought a commission to have the power to prevent the establishment of unnecessary competing lines?

Mr. HAINES. Yes; I should say they should. I do not see any necessity for a thing that is not to profit anyone—by the establishment of a business that means a loss to it and to those that are already established. But I am not a lawyer, and the question that occurs to my mind naturally is whether there is power in the Government to pass such a regulation. Can I not go into business if I wish to? Can you keep me out?

The CHAIRMAN. That is true of the railroads in some States. The Public Service Commissions prevent the establishment of competing railway routes.

Mr. HAINES. I think it is a very desirable feature. We want, in the operation of these steamship lines, effective and efficient service. We do not want anything else.

The CHAIRMAN. You would not want a law to provide that no other than certain lines should enter into a certain trade would you?

Mr. HAINES. I would not want a law as broad as that, Mr. Chairman, of course not. But there might be some excuse now for keeping a man out of business. Take this man C. L. Dimon, who operated the Texas City Steamship Co. Charlie Dimon is nothing but a commercial pirate. He has built these lines up all over the country for the purpose of soaking somebody and has succeeded in doing it. I will say that to his credit. He soaked the Mallory Line.

Mr. HARDY. If you are going to get along that way, the first thing you know we will have a condition of complete socialism. Socialism becomes the order of the day. The Government takes charge of everything.

Mr. HAINES. Yes.

The CHAIRMAN. I would not agree to that view.

Mr. HUMPHREY. What do you think of publicity? Do you think more publicity in regard to the rates would help the situation any?

Mr. HAINES. Mr. Humphrey, publicity as a panacea is a fraud. There are not one-tenth of 1 per cent of the people in the United States that know anything about rates, absolutely.

Mr. HUMPHREY. That is true, but then those that do know about them are the ones that usually examine them, are they not?

Mr. HAINES. Not always. I have a letter in my pocket now from a firm of the most reputable lawyers in Texas. One of them was a United States Senator at one time. In this letter he advises a shipper that there is no way in which that shipper can recover an unjust charge after it has once been made by the railroad. Now, what do you think about that? Yet that man has been in the practice of the law for 25 years.

Mr. HUMPHREY. Such conditions might exist, might they not?

Mr. HAINES. With your reparation cases every day before the Interstate Commerce Commission a man has absolute relief.

Mr. HUMPHREY. But if the conditions were known under which these steamship companies operated, or it was known about the rebates they give (if they do give any), and all their understandings were open to the public, would that have any influence to keep them from charging exorbitant rates, do you think, or forming combinations?

Mr. HAINES. Not a particle.

Mr. HUMPHREY. You think they rather glory in it, do you?

Mr. HAINES. Yes, sir; I do. Mr. Humphrey, I believe candidly that it is in the interest of the steamship lines themselves to have some sort of regulation. Now, I do not go to the extent that some of our folks do. I find plenty of them that do not believe there is an honest man in charge of a coastwise steamship line. They do not believe they have been honest with the people; they do not believe they are telling the truth to-day when they say they are not making money. That may be so; I do not know. These same people will accept that statement coming from a governmental regulatory body when they will not accept it from a steamship man.

Mr. HUMPHREY. Would it not, at least, be an advantage to Congress in the way of legislating, if it was thought necessary to legislate, if there was some way we could get these facts?

Mr. HAINES. Yes, sir.

Mr. HUMPHREY. Some way, at least, the legislative body could find out what these practices are?

Mr. HAINES. Absolutely; but publicity of these things, to my mind and in my experience, has not been very valuable. People will read the short story in the Sunday magazine and they will skip anything that looks like facts and figures.

Mr. HUMPHREY. It is evident that the steamship companies generally regard publicity as not to their interest because we have had very great difficulty in getting these facts that we now all know are true.

Mr. HAINES. Well, when I find a man that does not want publicity about his help or about his business I am just naturally suspicious about that fellow, that is all.

The CHAIRMAN. You spoke about the penalties, and that a penalty ought not to be a fine, or, if a fine, it should be coupled with imprisonment. What offense do you know of that should be visited by a penalty—what practices on the part of the carrier?

Mr. HAINES. An offense that is destructive to a considerable extent of the material interests and the interests of the people at large in this country. If, for instance, it was determined that competition is restraint of trade, with the giving of rebates, or any character of offense of a serious nature, be injurious to the people and prohibited, I would make it an offense for that, with imprisonment. I would go even further—

The CHAIRMAN. The Sherman antitrust law provides for imprisonment.

Mr. HAINES. I understand; but the difficulty is to prove it under the Sherman antitrust law. How many imprisonment offenses have been prosecuted?

The CHAIRMAN. The criticism is not about the proof, but usually the prosecution is against subordinates, and juries seem disinclined to assess that punishment.

Mr. HAINES. Absolutely.

Mr. HUMPHREY. I know of a case now where a man has been sent to prison for combining with another man to furnish the Government coal at a higher rate.

Mr. HAINES. And he probably will not do it any more, either.

The CHAIRMAN. The fines in the Federal court are assessed by the court, as I understand it, and not by the juries.

Mr. HAINES. That was the trouble about this case down in Galveston; the judge assessed the punishment.

The CHAIRMAN. And for that reason you make the statement the juries are disinclined to find the defendants guilty where punishment is imprisonment. But that does not obtain unless it may influence their verdict, as counsel may urge that fact in their argument. The courts assess the punishment, and the fault has been with the courts.

Mr. WILSON. If it was made prima facie evidence that a man at the head of the house is responsible for a rebate, would it not change that condition of the agent being continually held responsible and make the head of the establishment responsible?

Mr. HAINES. I would make a man at the head of a concern answerable if he had knowledge.

Mr. WILSON. Would you not do that by making a rebate given prima facie evidence?

Mr. HAINES. Absolutely.

Mr. HUMPHREY. The point I had in mind was the Beef Trust. That is the case where they all escaped conviction after an expensive trial. Nobody complained about the expensiveness of it, but the result. The jury finally acquitted all those men, as did the public generally. I am not objecting to the remedy of imprisonment, but I am pointing out to you the difficulty of establishing your case.

Mr. HAINES. I want to point out to you that the interstate-commerce act, with which I am more or less familiar and the only law I do know anything about, provides a penalty of \$5,000 for an act of discrimination.

Mr. HUMPHREY. Do you think something of that character applied to steamboats would be effective?

Mr. HAINES. No; you never have heard of a case where that fine has been imposed, and you never have heard of a single case where anybody asked the commission to do it. It is absolutely a dead letter, and discrimination exists all over this country to-day.

Mr. HUMPHREY. There is a case exactly in point, is it not, where the penalty is too great for the offense?

Mr. HAINES. No; the penalty is ineffective. What good would it do us to fine a railroad \$5,000? It would charge the amount of the fine up to operating expenses and then go before the commission and say, "Our operating expenses have increased, and we have got to have an increase in the rates." What good would it do?

The CHAIRMAN. I think if we will get a revised statute, there will not be any trouble about the remedy. What do you suggest in the way of legislation to remedy this condition, leaving out the penalty? We will take care of that, but the difficulty is to formulate a statute

that will remedy existing conditions without injuring legitimate enterprise.

Mr. HAINES. I would suggest that, as a beginning, the Interstate Commerce Commission should be given the right to fix maximum and minimum rates.

The CHAIRMAN. Would you have them do that on port-to-port traffic?

Mr. HAINES. Yes; on port-to-port traffic.

Mr. HUMPHREY. What would you suggest in regard to the foreign trade?

Mr. HAINES. Mr. Humphrey, that is a peculiar situation. One thing that I would suggest would be a confiscation of the ships, under proper legal action of course, of any foreign line that ever engaged in that sort of business.

Mr. HUMPHREY. What would you think of the proposition that is now pending in one of the bills reported by this committee where, after open trial, if it is shown that vessels are used for illegal purposes in violation of the Sherman antitrust law, that they be enjoined from coming into our ports?

Mr. HAINES. That is a step in the right direction; but what is going to be the result after you find all ships engaged in the trans-Atlantic trade violating that law? What are we going to do?

Mr. HUMPHREY. The solution is to get out of the combinations, and to come back in, without a doubt, they would all quit it.

The CHAIRMAN. Would you say combinations between American vessels in the coastwise trade should be legalized, and would you apply a different rule to ships in the foreign trade?

Mr. HAINES. No, sir; I would not; I would apply the same rule. I understand there is this measure of unjust discrimination all the time that must be considered.

The CHAIRMAN. You think the rate should be subject to the Interstate Commerce Commission just the same as in the coastwise trade?

Mr. HAINES. If that can be arranged; yes, sir.

The CHAIRMAN. If they have a pooling agreement, or agreements, by which rates are fixed, those agreements should be filed with some regulatory body like the Interstate Commerce Commission, the same as vessels in the coastwise trade?

Mr. HAINES. Absolutely. Understand, Mr. Chairman, I recognize the necessity for discrimination; I do not recognize the necessity for unjust discrimination.

Mr. HUMPHREY. The biggest problem which we are facing—certainly one of the very largest—is the possibility of these foreign steamship lines discriminating against Americans in favor of Europeans in the trade to South America particularly.

Mr. HAINES. Is it not natural that they should?

Mr. HUMPHREY. Certainly.

The CHAIRMAN. I want to state this, that there is not a word of testimony before this committee, so far, that they ever do.

Mr. HAINES. I tell you, gentlemen, that it makes one heartsick—it makes an American heartsick—to go into foreign countries as I have gone, right next door to us, and see business men of other countries doing that business right under our nose. You can find plenty of people in Central America who can talk French and speak Ger-

man who do business in that country, but you can go into that kind of town and never find a man who can speak English. They are not there; and yet we are right next door to them.

The CHAIRMAN. There are a great many conditions which enter into the foreign trade besides being exporters ourselves. To handle that our exporters have to learn the foreign trade from the exporters from other countries.

Mr. HAINES. In the last 12 years we have had one American ship out of Galveston to a foreign port. One American ship in 12 years! It was loaded with a cargo of cotton.

Mr. HUMPHREY. And that is the third port in the United States?

Mr. HAINES. Now, Mr. Humphrey, get that right; we are second.

Mr. HARDY. That ship was lost; they did not know it.

Mr. HUMPHREY. Second in tonnage or in ships?

Mr. HAINES. Second in value of business.

**TESTIMONY OF MR. J. C. DILLARD, TRAFFIC MANAGER, WACO
FREIGHT BUREAU, WACO, TEX.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Will you give the committee your name and state what interests you represent?

Mr. DILLARD. I represent the Waco Freight Bureau, a voluntary association of shippers. That is to say, it is a voluntary association of jobbers and manufacturers located and doing business in Waco, State of Texas.

On January 11, 1913, I received a letter from the chairman inviting me to furnish information to the committee and inclosing a copy of resolution No. 587. From the tenor of the letter I inferred I was called upon to give information very broadly and generally, and in reply to Mr. Alexander, chairman, under date of January 22, I pointed out that there were three particular matters I would probably be qualified to give testimony on, which are as follows:

A physical division of the traffic of the United States directly occasioned by interstate rate adjustments. That is proposition No. 1.

Second, a constant and fixed proportionate relationship between the Atlantic seaboard to Texas rates on the one hand and St. Louis to Texas rates on the other. And in mentioning the St. Louis rates it should be understood that all defined territories which base on St. Louis are likewise included.

The third proposition, refusal of rail lines serving Atlantic and Gulf ports to interchange traffic and establish agreed divisions and percentage bases, through joint routes and rates with independent coastwise steamship lines; also the stifling of competition between the Morgan and Mallory Steamship Lines on the one hand with such independent companies as have engaged in coastwise traffic serving Texas during the last 10 or 15 years.

By way of qualification of those statements I will say that since arriving in Washington and conferring with Mr. Hardy I am informed the first two propositions I have laid down are tacitly admitted, or at least understood to be a fact by this committee, so that it would probably not be necessary for me to touch on that except I wish to make this point. I believe it is one that is well taken. Notice in the decision by the Interstate Commerce Commission

in the so-called Texas rate case (referred to by Mr. Haines in his testimony, which was a complaint filed by the Railroad Commission of Texas, submitted April 15, 1910, and decided February 22, 1911), in substance, the Interstate Commerce Commission state in their finding of fact that there is an undoubted monopoly, on the part of the steamship lines, of the traffic situation in the State of Texas. They further insist or state in that finding of fact that there is an agreement between the rail lines on the one hand and the steamship lines on the other to maintain and fix a constant proportionate relationship in the rates.

Inferentially the commission appears to have the view that there is some competition between the steamer lines on the one hand and the all-rail lines on the other for such traffic as may be shipped from a point in seaboard territory to or from a Texas point, which is not the case. There is not published in any of the seaboard tariffs a through rate to or from a Texas point on any class or commodity, and likewise there is not published in any all-rail tariff by the southwestern tariff committee a through rate on any class or commodity shipment which is destined to or originates in seaboard territory destined to or originating at a Texas point.

The CHAIRMAN. Will you illustrate that by some concrete example?

Mr. DILLARD. Yes, sir. For example, take a shipment originating at Trenton, N. J., destined to Waco, Tex. The all-rail freight tariffs to a Texas point carry no through published rates, and if such a shipment is made it is made under two separate tariffs. A local rate is applied from Trenton, N. J., to the Ohio or Mississippi River, and then another local rate from there to the Texas destination is applied, which makes the sum of those two rates a prohibitory rate.

The CHAIRMAN. That is an all-rail rate?

Mr. DILLARD. An all-rail rate; yes, sir. Likewise, a shipment which would originate at Waco, Tex., destined to Trenton, N. J., if a shipper wanted to favor all-rail lines, he would have to pay that combination of rates. So in effect the tariff rates, as fixed and maintained by and between the rail carriers on the one hand and the steamer lines on the other, undoubtedly have the result of forcing all the traffic on the seaboard territory to flow via the steamer lines and all west of that territory to flow via the all-rail lines.

Mr. HARDY. Let me call your attention to this fact: That in doing that the railroads practically get as much haul going to New York as they would going down to Galveston.

Mr. DILLARD. Sure.

Mr. HARDY. For instance, the Chicago & Alton will ship goods to New York and then via Galveston. Instead of going the short distance across they haul the greater mileage to go to New York and then take the water route to Galveston and then the additional mileage via Galveston?

Mr. DILLARD. Yes, sir.

Mr. HARDY. And by that means this system that is in operation of the combination of rail and water line is causing the transportation to be nearly double what it ought to be?

Mr. DILLARD. Undoubtedly.

The CHAIRMAN. In cost?

Mr. HARDY. Actual transportation, and, I suppose, cost, too.

Mr. DILLARD. Undoubtedly we pay on the all-rail basis. Our seaboard-to-Texas rates to-day are undoubtedly on the basis of all-rail costs. I do not think there can be any doubt about that, especially in comparison with the findings of the Interstate Commerce Commission in a number of cases to which I can probably subsequently refer should the committee wish to go into that.

To amplify that point, take a shipment from Waco, Tex., via Denison, over the M., K. & T., or via Denison over the H. & T. to Waco. I am informed and believe that if a shipment from seaboard territory would move around to Galveston from Waco, Tex., the line from Galveston to Waco would get as large, if not a larger, measure of the through rate as it would for a shipment moving via Denison, Tex. I think that would be generally applied to divisions on the Texas traffic, that the route via Galveston lines, Galveston to Texas destination, will get as much, if not a greater, division than traffic across the Red River via all-rail routes.

In regard to the third proposition there, about the refusal of all-rail lines serving Atlantic and Gulf ports to interchange traffic, through divisions and so forth, and about stifling competition, I have, which I will read into the record, or offer as an exhibit, whichever may be preferred, a letter signed by Mr. Daniel Ripley, who was chief traffic official of the Lone Star Steamship Line, whose unfortunate experience Mr. Haines detailed a few moments ago; and I believe it covers probably all points at issue there in the third statement that I make.

The letter is dated January 31, 1913, and is addressed to Judge Mann, of Galveston, Tex.:

I received your letter last evening too late to reply to. It has been so many years since the Lone Star Line passed away that I have forgotten pretty much all about the rates.

The line's first sailing was from New York on July 4, 1897, and continued until about the 1st of May, 1898, when two of the boats were sold to the United States and two chartered to them. The rates during this period were very low, in fact beyond reason, as the competitors of the line made the ridiculous rate of 2 cents per 100 all classes New York to Galveston and paid Galveston wharfage out of this rate, which did not pay the actual tariff rates of the wharf company at that time—

Which is true. My recollection is that the rate was about 2½ cents or 2¼ cents at that time—

to say nothing of the wharf rent at New York, cost of loading and discharging. After the close of the Spanish War the two boats that were chartered were returned to the owners, and these steamers sailed from New York for Galveston some time in September, 1898, and rates, as I remember, were from 25 cents on fourth class to 45 or 50 cents for first class. The owners were prepared, and in fact negotiated with shipbuilders to build three or four new fast modern ships and would have done so but for the decision of the United States Circuit Court at New Orleans deciding the railroads could refuse to take or deliver cargo to them. This decision has since been overruled. The owners then sold their boats, as the proper service could not be maintained with only two ships, and the court's decision made them afraid to risk so much money in new vessels.

The above is about the whole story. I have no objection whatever to your giving the source of your information. Trusting the information I have given will serve your purpose,

I am, sincerely, yours,

DANIEL RIPLEY.

Mr. DILLARD. Mr. Haines, I believe, covered generally the range in the rates from about 1903, but I am prepared to give a more specific

detail of the rates from March 15, 1903, up to the present time, if the committee would like to have them. Although I have not prepared any typewritten exhibits, I can read the figures into the record.

Mr. HARDY. Would that help us in our quest for the evils existing or for the remedy? That would show the history of the rates; and if you can tell us the general trend of them without encumbering the record, I believe it would be better to do so. One great difficulty with this record is to keep it from being so large that nobody can afford to read it. If you can give us a general history, I think it would be better than a tabulated statement. Does not the chairman agree with me?

The CHAIRMAN. You may leave the rates with us, and just give us a summary of them.

Mr. DILLARD. Well, for instance, on March 15, 1903, the St. Louis and Texas rates were advanced—that is, to Texas common points—in amounts ranging from 7 cents on first class down to 3 cents on carload Class D rates. Now, it should be understood, when I mention the St. Louis rate, that likewise all defined territories which base on St. Louis made corresponding advances in their rates, which included the Atlantic seaboard rates.

Again, on August 10, 1908, the rates from St. Louis and all defined territories and Atlantic seaboard were increased in amounts ranging from 10 cents on first class down to 4 cents on Class E, making an increase there of 17 cents in five years on first-class rates, Texas points, and on other rates in relation to the first-class rate. And the commodity rates, the prime factors of commerce in Texas, were likewise materially increased at the time these class rates were increased. On May 15, 1911, by order of the Interstate Commerce Commission, the rates from St. Louis and defined territories to Texas common points were placed back to the basis of August 10, 1908, on all the classes with the exception of the rates on first and second class. As to those two classes, the increase was permitted on the first-class rate, while as to the second-class rate the increase of 4 cents was permitted by the Interstate Commerce Commission instead of an 8-cent advance, which was put into effect; and the commodity rates, which were increased as of August 10, 1908, were permitted by the commission to remain in effect and are in effect at the present time. As to the range in the port-to-port rates from August 10, 1908, down to the present time, I find that commensurately the same relation of changes have been made in the class port-to-port rates as have been made in the St. Louis rates; and there have been in the meantime numerous changes in the rates (they have been very variable), which have been brought about primarily by the Texas City Steamship Co., which entered the field, I believe, sometime about September, 1908. That steamship company put in a line of rates from New York to Galveston ranging from 50 cents on first class down to probably 25 or 35 cents on fourth class, and the commodity rates were very low in the meantime.

The Mallory and Morgan lines met that competition at various intervals, and in some instances I think they probably reduced the rates of the Texas City Co. So that bringing the changes of port-to-port rates down to the present time, finally on December 16, 1912, we had our last elevation of rates, and that increase was a very material one and affected all classes and commodities of commerce.

and puts us back to where we were in about 1908 in the general relation of seaboard rates.

(Thereupon the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

(The committee reconvened pursuant to the taking of recess.)

TESTIMONY OF MR. J. C. DILLARD—Continued.

Mr. HARDY. Mr. Dillard, do you know, in such a way as to be absolutely correct on the question (although you may not know except from what you have learned), as to who owns the Houston Direct Navigation Co.?

Mr. DILLARD. My information is, and derived from several sources (one of which is that I was at one time an employee of the Southern Pacific system, and from other sources), that the Southern Pacific interests own the Houston Direct Navigation Co., and they have owned it for a number of years.

Mr. HARDY. Have they any other connections between Houston and Galveston except that company?

Mr. DILLARD. Yes, sir; they have the G., H. & S. A.

Mr. HARDY. They have the railroad?

Mr. DILLARD. The Houston Direct Navigation Co.; yes, sir.

Mr. HARDY. Is there any other navigation company on that canal?

Mr. DILLARD. Not that I know of.

Mr. HARDY. Do you know about how much money the Government has spent on that canal, opening it up?

Mr. DILLARD. I have heard it stated, but I do not know of my own knowledge. I am informed they have spent a considerable sum.

Mr. HARDY. So that whatever they have spent they have only secured a railroad owning one transportation company on the water that competes with it?

Mr. DILLARD. Exactly.

Mr. HARDY. And the rates are just the same?

Mr. DILLARD. Yes.

The CHAIRMAN. Let me see if I understand you: There is a water line from Galveston to Houston?

Mr. DILLARD. Yes, sir; the Houston Direct Navigation Co.

The CHAIRMAN. On the river?

Mr. DILLARD. The Buffalo Bayou.

The CHAIRMAN. The channel of which has been deepened at the Government's expense?

Mr. DILLARD. Yes, sir.

Mr. HARDY. At a cost of some four or five millions of dollars, I understand.

Mr. DILLARD. Yes, sir.

The CHAIRMAN. And yet that waterway is of no practical value in cheapening rates?

Mr. DILLARD. No, sir.

The CHAIRMAN. The railroad has a line from Houston to Galveston, an all-rail line, and they control the water line?

Mr. DILLARD. Yes, sir.

The CHAIRMAN. And the rates on the water line are the same as on the rail line?

Mr. DILLARD. Yes, sir.

The CHAIRMAN. So that so far as cheapening rates is concerned, the money spent by the Government on deepening that waterway, between Galveston and Houston, has been thrown away?

Mr. DILLARD. Up to the present time, yes.

Mr. HARDY. I am not certain that it is absolutely thrown away, but it certainly has not resulted in any competition with the railroads. They may have a little cheaper rate by this water transportation, but then the rate is itself fixed by the railroad.

Mr. DILLARD. I might make this qualification too, Mr. Chairman, about that: I am informed by members of the Southwestern Tariff Committee (I have been on different occasions) that the bayou there and the potential navigation business have an effect on the rates from interior points from Houston, Tex.; but I have never understood what the extent of that influence was, and I have not seen any direct results of it, personally.

The CHAIRMAN. Except in this way, that if they should make a rate so high the merchants complained, it might invite independent water competition?

Mr. DILLARD. Yes, sir.

Mr. HARDY. Just in the same way that if they gave high rates from Memphis to New Orleans by rail it would probably fill the Mississippi River with independent boat transportation.

Mr. DILLARD. Yes, sir.

Mr. HARDY. But as it is, they cut that rate down there and raise it to intermediate points, keep all competition off the water, and have there discrimination as complete as if there were no river there.

Mr. DILLARD. Yes, sir; an absolutely complete getting around the situation.

Mr. HARDY. I will just ask Dr. Huebner to read for the record along this line the facts in reference to the ownership of that company.

Dr. HUEBNER. The Direct Navigation Co. has reported to the committee that its common stock amounts to \$50,700, and that the Morgan's Louisiana & Texas Railroad & Steamship Co. owns \$50,000 of that stock. It also owns \$100,000 of the 5 per cent secured notes of the Direct Navigation Co.

Mr. HARDY. What relation does that company bear to the Southern Pacific?

Dr. HUEBNER. It is a subsidiary of the Southern Pacific Railway system.

Mr. DILLARD. That is the line from New Orleans to the Sabine River, is it not?

Dr. HUEBNER. Yes.

Mr. HARDY. Along that line, there are other roads running from Houston to Galveston besides the G., H. & S. A., which belongs to the Southern Pacific, are there not?

Mr. DILLARD. I do not know that I can answer that.

The CHAIRMAN. Speaking about the division of territory and the rates, take for instance structural-steel rates: An individual in Waco wants to build a modern fireproof building and to use structural steel. Which would be the cheaper route for him, from Pittsburgh to

New York, thence to Galveston, and then by rail to Waco, or from Pittsburgh to Waco direct?

Mr. DILLARD. I believe, sir, without having the tariffs in front of me, that I can say to the committee the rates are substantially the same; but the steel traffic is quite exceptional. That condition does not apply to other traffic generally.

The CHAIRMAN. Do you mean to say that on other traffic the rate would be greater via New York to Galveston and Waco?

Mr. DILLARD. Yes, sir. You see the Atlantic Seaboard Line or the coastwise lines publish no through rates from Pittsburgh territory via New York to Galveston and Texas destinations, and I think it is true on shipments that move through New York on a local bill of lading from Pittsburgh and from there to Galveston on a port-to-port rate; and from Galveston to Texas destinations, that the sums of those three locals would far exceed the through all-rail rate from Pittsburgh to the same point of destination.

The CHAIRMAN. On structural steel?

Mr. DILLARD. No, sir; it would not on structural steel. On structural steel the rates are substantially the same, but on other classes of traffic the rates would be higher via New York to Galveston than via an all-rail route.

The CHAIRMAN. Why is that?

Mr. DILLARD. That is the result of the physical division of the United States. There is an imaginary line running between Buffalo and Pittsburgh which parallels—generally the Atlantic seaboard line runs in a southerly direction down to about where the Norfolk & Western Railroad starts west from the Atlantic coast, and follows about the line of the Norfolk & Western. I believe that this territorial directory here probably gives a more accurate description of that territory.

The CHAIRMAN. I hardly think it is necessary to make a more detailed statement about it.

Mr. DILLARD. It states briefly, Mr. Chairman, that points in the Atlantic seaboard territory include Canadian points, Halifax, Nova Scotia, Mile End, Province of Quebec; Montmorency Falls, Province of Quebec; Montreal, Province of Quebec; Ottawa, Ontario; Quebec, Province of Quebec; all points in Connecticut; all points in Delaware; all points in the District of Columbia; Fernandina, Fla.; Jacksonville, Fla.; Brunswick and Savannah, Ga.; all points in Maine; all points in Maryland; all points in Massachusetts; all in New Hampshire, and all in New Jersey. That was the territorial division on June 15, 1907, and has been substantially the same since that date.

Mr. HARDY. That says nothing about New York.

Mr. DILLARD. I may not have read it in full. That includes New York. It includes "all points east of the following-described boundary line from Toronto, Ontario, by the shore of Lake Ontario, and Hamilton to Niagara, Ontario; thence via the Niagara River, including both banks of said river, to Buffalo, N. Y.; thence via the B. R. & P. Railway to Salamanca, N. Y.; thence via Erie Railroad to Falconer Junction, N. Y.; thence via the D. A. V. & P. R. R. to Warren and Struthers, Pa.; thence via the W. N. Y. & P. R. R. to Oil City, Pa.; thence via the Allegheny River to Franklin, Pa.; thence via an imaginary line immediately west of the Allegheny River and east of Glenora, Pa., to Butler, Pa.; thence via the P. & W.

Railroad to Allegheny, Pa.; thence to Pittsburgh, Pa.," but exclusive of several Pennsylvania points which follow.

Mr. HARDY. That gives the general line; that is called the seaboard territory.

Mr. DILLARD. Yes, sir. That was the description on June 15, 1907, and it has been substantially the same since that date.

Mr. HARDY. Under that arrangement any freight originating east of that line goes more cheaply by water to Galveston and thence up into the Texas points?

Mr. DILLARD. Yes, sir.

Mr. HARDY. While on freight originating west of that line it would cost more to ship via New York than it would to go straight through!

Mr. DILLARD. Yes, sir.

Mr. HARDY. That is the general situation?

Mr. DILLARD. Yes, sir.

Mr. HARDY. And that is purely an arbitrary adjustment of matters by the combinations?

Mr. DILLARD. Yes, sir. That is undoubtedly arranged by the mutual conference of the steamship traffic officials on the one hand and the railroad traffic officials on the other.

Mr. HARDY. Mr. Dillard, as succinctly as you can make it, if there is any other matter you think this committee ought to know—and we are seeking remedies—please give it to us in your own form.

Mr. DILLARD. I understood this morning that you wanted some detailed figures with regard to the rate changes, and if I may, before I proceed with that general statement, I would like to introduce as an exhibit here a statement of the last increase in the port-to-port rate as made by the Mallory and Morgan Steamship Lines, effective December 16, 1912.

Mr. HARDY. I see that is brief, and that might be just incorporated into the record.

(The paper referred to was marked "Exhibit No. 111," and is as follows:)

EXHIBIT No. 111.

Advances in "steamer" freight rates (Morgan and Mallory Lines) from New York to Galveston, Tex., effective Dec. 16, 1912.

LESS THAN CARLOAD SHIPMENTS.

	Present.	Proposed.	Increase.
Advertising matter.....	\$0.56	\$0.63	\$0.07
Albums.....	.65	.75	.10
Baseballs.....	.65	.75	.10
Blacking, harness, etc.....	.56	.75	.19
Cotton piece goods.....	.50	.65	.15
Cereal products.....	.25	.48	.23
Flour (sausage), 10,000-pound lots.....	.30	.48	.18
Ice-cream freezers.....	.50	.75	.25
Glucose.....	.30	.48	.18
Hardware (alphabetically from adzes to zinc):			
Second class.....			.13
Third class.....			.08
Fourth class.....			.06
Meters (brass).....	.75	1.125	.375
Miscellaneous commodities (alphabetically and various, from agricultural implements to wire, inclusive):			
First class.....			.10
Second class.....			.07
Third class.....			.06
Fourth class.....			.05

Advances in "steamer" freight rates (Morgan and Mallory Lines) from New York to Galveston, Tex., effective Dec. 16, 1912—Continued.

LESS THAN CARLOAD SHIPMENTS—Continued.

	Present.	Proposed.	Increase.
Miscellaneous commodities (dry goods department store stocks, alphabetically from bags to shoes).....	\$0.60	\$0.75	\$0.15
Miscellaneous commodities (alphabetically from acids to clothes wringers, including various articles handled by drug, grocery, dry goods, saddlery, millinery, hardware, crockery, and miscellaneous jobbers and retailers), increases same as second above.....			
Mowers, lawn.....	.50	.75	.25
Pianos and organs.....	.65	.75	.10
Saws, iron.....	.50	.75	.25
Typewriters, boxed.....	.85	1.125	.275
Saddlery hardware.....	.50	.63	.13

CARLOAD LOTS.

	\$0.15	\$0.17	\$0.02
Asphalt.....	.25	.25	.03
Bacon.....	.16	.17	.01
Bagging.....	.18	.20	.02
Bagging and old bags.....	.30	.40	.10
Bands or rings for fruit jars, rubber and leather belting, etc.....	.20	.25	.05
Beams (scale).....	.30	.35	.05
Blacking, shoe and harness, dressing, etc.....	.30	.35	.05
Blueing.....	.30	.40	.10
Books.....	.18	.20	.02
Calcium (chloride of).....	.30	.40	.10
Caps (bottle).....	.30	.40	.10
Cartridges.....	.25	.27	.02
Ceiling (iron or steel).....	.15	.17	.02
Cement (coal-tar paving).....	.30	.40	.10
Chocolate and chocolate coating.....	.18	.20	.02
Cider, vinegar, pickles, kraut, etc.....	.40	.45	.05
Clothing (oiled).....	.17	.18	.01
Coffee, green.....	.21	.22	.01
Coffee, roasted.....	.15	.17	.02
Coppersas.....	.40	.45	.05
Cotton piece goods.....	.23	.30	.07
Cyanide of potash.....	.35	.50	.15
Freezers, ice cream.....	.20	.25	.05
Glass, common window.....	.30	.35	.05
Ink, mucilage, paste, etc.....	.10	.115	.015
Cotton ties and buckles.....	.20	.25	.05
Grape juice.....	.25	.35	.10
Lamps and lanterns.....	.25	.27	.02
Linoleum and oilcloth.....	.35	.40	.05
Locks, iron or steel.....	.50	.55	.05
Miscellaneous (dry goods, department-store stocks alphabetically from bags to umbrellas).....	.17	.20	.03
umber (hardwood).....	.40	.45	.05
Medicines, liquid (patent or proprietary).....	.30	.35	.05
Mowers, lawn.....	.30	.35	.05
Nuts, edible (except peanuts).....	.20	.25	.05
Skum, in bales.....	.20	.22	.02
Saints (all kinds).....	.20	.25	.05
Saper boxes, K. D. flat.....	.20	.22	.02
Saper, unprinted "print".....	.25	.30	.05
envelopes.....	.20	.25	.05
Saper (wrapping), etc.....	.20	.25	.05
School composition books, tablets, etc.....	.30	.35	.05
Sanuts.....	.20	.25	.05
Sickles, vinegar, cider, olives, etc.....	.24	.25	.01
Umice stone.....	.35	.45	.10
Refrigerators.....	.20	.25	.05
Rope (except wire rope).....	.20	.25	.05
Rope or cable, iron or steel, wire.....	.18	.20	.02
Ruin size or paper size.....	.20	.22	.02
Alirons.....	.20	.25	.05
Rice, table, in glass.....	.30	.35	.05
Alas, wagon and platform.....	.20	.25	.05
Rawboard, binder's board, etc.....	.25	.30	.05
Gar (maple) and maple sirup.....	.20	.25	.05
Wine, binder.....	.20	.25	.05
Wine, jute, hemp, and flax.....	.20	.22	.02
Aste.....	.30	.35	.05
Hisky, in glass.....	.30	.35	.05
Ines, domestic.....	.30	.35	.05
itch-hazel.....	.30	.32	.02

"Commodity" carload rates canceled out.

(The effect of canceling out the present commodity carload rates on the articles which follow will be to subject the traffic to rates governed by water classification, exceptions, and through tariffs, which provide higher rates.)

Advertising matter.
Apples, dried and evaporated.
Barrels, iron, oil.
Blacksmith drills.
Cereal products.
Cork or cork waste.
Disinfectants.
Extract, tanning.
Fish, pickled, salted, etc.
Fruits and flavoring sirups.
Granite, marble and stone.
Ink, printing and writing.
Gates, fire plugs, etc.
Machines, sewing.
Paper, crude.
Pearline, soap powder, etc.
Rollers, window shade.
Stone and marble.
Trunks, valises, etc.
Zinc, chloride of.
Alcohol, wood.
Asbestos.
Beans and peas, dried.
Box shooks.
Cheese.
Couplings and packing.
Dressing, harness.
Fans and blowers.
Flour, sausage.

Glassware, common table.
Hose, rubber, cotton, canvas.
Iron and steel articles.
Turnbuckles.
Marble, broken, packages.
Paper, drawing and detail.
Phonographs, etc.
Shades, window, and slats.
Stoneware, pottery, etc.
Vegetables.
Alum.
Asphalt.
Black, lamp.
Cable, lead covered.
Cloth, shade.
Crates, vegetable.
Drums or cylinders.
Fireworks and firecrackers.
Food, animal and poultry.
Glycerine, crude.
Ingots, brass.
Fence gates, stretchers, etc.
Lining, carpet.
Pads, sweat.
Paper, wall.
Pipes, sewer.
Stone, flagging.
Straw, rye.
Wagons, farm.

Mr. DILLARD. If the committee does not have the port-to-port tariffs of 1908 up to December 16, 1912, I can leave this tariff with the committee, which will show the range in our rates and the variations.

The CHAIRMAN. We would be glad to have you leave that with us.

Mr. DILLARD. I have this contention to make: I of course understand that this committee has not any power to fix rates to Texas points, but on behalf of the interests I represent I wish to complain to this committee that we feel the rates in effect at the present time are very, very burdensome, and that our commercial relations are restricted, and we are being forced back commercially to a territory to which we were confined back in 1907 and prior, and that we are really paying an all-rail rate on this Atlantic coastwise steamer service. And from the findings of the Interstate Commerce Commission in several cases, wherein they have fixed all-rail rates for certain distances, we find, for instance, they have fixed a rate from St. Louis to Texas common points based on the average haul of about 800 miles. Now, for that 800-mile haul the Interstate Commerce Commission has placed a schedule of rates of \$1.47 on first-class and \$0.39 on Class E to Texas common points.

Applying 6 miles of water transportation for 1 mile of rail transportation, it would give an approximate distance from New York to Galveston of 350 miles; and then, allowing for a 100-mile average haul beyond New York, which the Interstate Commerce Commission decided was the average haul, or the average distance to be computed, including all traffic that originates in New York proper.

it takes 450 miles. Then, further including an average haul of 350 miles from Galveston to the average Texas destination, it would make an 800-mile haul, all rail. On that basis we hardly see wherein we should be compelled to pay rates that are higher than that, and we have objected to the St. Louis scale. We fought the rates very bitterly, and we feel we ought to have relief along a good many lines.

As to the cost of that service, the organization which I represent has information drawn from commercial associations in the East—Baltimore, Boston, and other points—that the average cost of handling traffic per ton at the two terminals (say the northern Atlantic terminal and the southern Atlantic terminal) on the average class of traffic that moves daily the year round is not to exceed \$2.25 per ton, and that terminal handling charge constitutes about 60 per cent of the total cost of handling that traffic. So if that information is reliable it would mean a cost of handling traffic from Baltimore, Boston, or New York to Texas of about \$3.75 per ton. Then, under the rates that now exist, the port-to-port rates, the Mallory and Morgan steamship companies are exacting on first-class freight \$15 per ton, which means quite a large margin for profit; and we feel that there is an opportunity for a very large and reasonable scaling of those rates, and certainly down to a basis at least of the 800-mile St. Louis rate that the Interstate Commerce Commission has said is a just and reasonable rate to Texas.

In regard to what Mr. Haines said this morning to the committee about his views on pooling, conferences, etc.—

Mr. HARDY. Before you get into that, Mr. Dillard; what do you know about this increase of 100 per cent in the rates on cotton from Galveston to Liverpool recently made that Mr. Brock talked about?

Mr. DILLARD. I am informed and believe from general information which has been acquired during the 17 or 18 years I have been in railroad traffic work that it is true the ocean rates on cotton during the present cotton season were considerably greater than have prevailed in the last 20 years. In some instances the rates have been probably 100 per cent higher, and it is believed by our cotton producers in central Texas that the steamship agents and brokers are responsible for it; that they get together in these private conferences and arrange "we will sell no space now, during the time this rush cotton has got to reach European markets, except upon certain figures," and since the foreign lines own all the available space they are prepared to enforce any arbitrary rate ruling or decision they come to. And it has been admitted by James F. Brock, a cotton factor in Waco, who has been there for 20 years, that the excessive rate this season as compared with the rate during the preceding cotton season has cost producers of Texas over \$6,000,000.

Mr. HARDY. Leaving out estimates, where could we find somebody that could give exactly the amount of raise this last season that was made in cotton rates?

Mr. DILLARD. You can get that, sir, by calling on the steamship agents of the Galveston lines to furnish you those comparative statistics.

Mr. HARDY. You have not those facts yourself, but are just speaking of that from statements of Mr. Brock and others?

Mr. DILLARD. Yes, sir.

Mr. HARDY. And those Galveston steamship agents could give exactly what the raise had been?

Mr. DILLARD. Yes, sir; probably Mr. Brock could do that.

Mr. HARDY. Mr. Brock of Waco?

Mr. DILLARD. Yes, sir. The letter there from Chairman Mayfield, of the Texas commission, in reply to Mr. Brock's letter may be material for the reason that Chairman Mayfield stated the superintendent of the Galveston Wharf Co. had recently interviewed Chairman Mayfield on that subject, and he confirms just exactly the charges that Mr. Brock has made there. That is, the superintendent of the Galveston Wharf Co. admits those are facts to Mr. Mayfield.

Mr. HARDY. I suggest you leave the paper here, and we will determine whether it is to be included in the record.

Mr. DILLARD. Yes, sir.

Mr. HARDY. I think when I interrupted you you were about to give us your views as to the present condition and to suggest remedies, if any are needed.

The CHAIRMAN. We will first ask if he has any further complaint to make.

Mr. DILLARD. I have a very vigorous complaint, and I believe I probably reflect the views of Texas shippers. They heartily disapprove of this system of conference and pooling by and between railroads and steamship lines to the extent that they can create and maintain such a monopolistic condition as will permit them, at any time it suits their convenience, to place the rates unreasonably high or handle them in any manner they see fit. So far as the shippers I represent are concerned, I am sure that they look on pooling and conferences, so far as railroads and steamship lines are concerned, in the same degree or relation that they would were they grocers, hardware dealers, or merchants. They do not believe it is right for merchants, jobbers, and hardware dealers, and so on, to get together and say what price shall be paid by consumers for certain articles of commerce, and they look on the railroad-rate and the steamship-rate situation the same way.

Undoubtedly there is a difference in the cost of the operation of the different railroad lines that compete for the same business and undoubtedly there is a difference in cost for the service between the steamship lines that compete for the same business. And—predicated on that fact—surely some of those lines are in a position to make lower rates than the other lines, and, if that be true, why not give the consumers the same benefit—let them have it? Do not legalize the fixing of pools in conference to the extent that these lines can get together, and, under protection of the law, fix rates which will be unreasonable and unjust. We feel that should not be done at all.

As for any remedy for existing conditions, I believe that three things could be done which would, no doubt, give us a full measure of relief, at least they would certainly have that tendency. The first would be for Congress to direct the dissolution of intercorporate relationships between the steamship lines on the one hand and the rail lines on the other. Doing that, the inference would be that some competition would be restored between those lines for business.

Mr. HUMPHREY. Is not that covered already by the Panama Canal Act?

Mr. DILLARD. I am not sure as to that; I am without information on that point.

Mr. HUMPHREY. I am not sure, but I am inclined to think it does.

The CHAIRMAN. As relating to the canal, I think it is that railroad-owned ships can not go through the canal.

Mr. HUMPHREY. But it gives, as I understand, the Interstate Commerce Commission the power to compel the railroad company owning the water line to dispose of it. It goes very much further.

The CHAIRMAN. Yes; that is the provision, too.

Mr. DILLARD. It certainly has not been efficient if the law has been in effect any length of time, because we are up against the most monopolistic condition now.

Mr. HUMPHREY. I hope some of you people who feel you have a just cause will bring it before the Interstate Commerce Commission under that act.

The CHAIRMAN. I think that condition from Houston to Galveston is in direct violation of the Panama Canal act.

Mr. HUMPHREY. The Houston Canal is not yet completed to Houston, is it?

Mr. DILLARD. No, sir.

Mr. HARDY. What is it that is not completed?

Mr. DILLARD. The work on the canal under the plans.

Mr. HARDY. They have not yet finished all the work.

Mr. DILLARD. They utilize it for navigation.

Mr. HUMPHREY. That act does not take effect until July 14, 1914.

Mr. HARDY. They have a certain depth of water. Do the boats come up beyond Harrisburg, or right to Houston?

Mr. DILLARD. I think to Harrisburg.

Mr. HARDY. Harrisburg is a little suburb about 4 miles south of Houston, but they are still deepening and still working on it, as I understand. For what purpose or why I do not know, as long as the railroads are going to dominate the situation anyhow.

Mr. DILLARD. My answer was predicated on the facts. I thought the committee were fully aware of the status of the work down there, and so on, and knew that the work was now pending.

Mr. HARDY. Your answer, as I understood, was not completed. Go ahead with what you intended to state.

Mr. DILLARD. Another thing. Ordering the divorcement of the intercorporate ownership of stocks, I suggest the Interstate Commerce Commission be given jurisdiction over ports, with the power to fix both a maximum and a minimum rate. It would not do us any good at all for the commission to have the jurisdiction of such rates unless we get a minimum as well as a maximum rate.

Mr. HUMPHREY. I am inclined to think we have the legislation to reach it, if we can enforce it.

Mr. HARDY. That ought to reach the Buffalo Bayou situation.

Mr. DILLARD. I certainly hope it will prove to be efficient along those lines. I had just remarked, Mr. Chairman, that in addition to commending that the railway lines and the steamship lines be forced to give up their intercorporate ownership and relationship at the Interstate Commerce Commission be given jurisdiction over the port to port rates, with the understanding that they fix a maxi-

imum rate and a minimum rate, for we believe, with the experience we had during the last few years down there in Texas, that merely to have the Interstate Commerce Commission name a maximum rate would not give us proper relief, and certainly would not invite the independent steamship companies to come in there for Texas trade, because they would have no assurance that any time the old-line company took a notion to put in a 2-cent rate they could not do that and put them out of business.

Mr. HARDY. In other words, to put in a maximum without a minimum rate would be to throttle all competition and make the maximum the same as the minimum?

Mr. DILLARD. It would undoubtedly put us in a worse fix than we were before.

The CHAIRMAN. Do you have in mind the fact that the tramp is about the only effective competition now when you made that statement? What are you going to do with the tramp?

Mr. DILLARD. I figure on giving everybody an opportunity to engage in the business that wants to, and let the commission fix the minimum rate; let them consider the cost of handling on the part of the tramp and on the part of the ordinary company, and then have the high-class companies, like the Morgan and Mallory Lines—let them have those facts before them and then fix a minimum to protect the little fellows. Give the little fellows a chance to live and handle such traffic as they can.

Mr. HUMPHREY. How would you meet this situation: Suppose a vessel is part loaded and has a little space left, just as pointed out this morning. How are you going to meet a situation of that kind? You would not want to prevent a vessel from taking at a reduced rate freight under those circumstances, would you?

Mr. DILLARD. Certainly not; and I believe under the maximum and minimum arrangements the Interstate Commerce Commission, if they had such a power, undoubtedly could appraise and take care of such contingencies as that.

Mr. HUMPHREY. That is a point upon which I wished to inquire. I should like to know if you think, as a traffic man, that could be worked out? That has been presented here, that a tramp vessel is one of the serious things, different from a railroad, because the railroad can cut their train up into cars, but every time you go with a vessel you have got to go with a whole vessel. Do you think that could be worked out?

Mr. DILLARD. Undoubtedly so.

Mr. WILSON. Do you think the maximum and minimum rates could be applied to tramps?

Mr. DILLARD. I think a minimum could certainly be applied to tramps, and they would scarcely undertake to exceed or make the same maximum rate as a more powerful company, which has better service to offer and better facilities.

Mr. HUMPHREY. Would it be advisable to apply the minimum rate to the tramp steamer?

Mr. DILLARD. I think it would. It would give them the opportunity to live. At the present time they have no such opportunity. If a tramp steamer engages in the business now and threatens to continue the business the old-line companies put on a 2-cent rate, you know.

Mr. HUMPHREY. I do not think you understood me. I said, "Do you think it advisable to apply the minimum rate to the tramp and not to the regular line, or would it be advisable to leave the tramp open to reduce rates?"

Mr. DILLARD. I think the tramp is considerable of a pirate, and certainly they ought to be subjected to that minimum.

Mr. HARDY. In the end is it not better for all concerned to be subject to equal laws?

Mr. DILLARD. That is my judgment; yes, sir.

Mr. HARDY. In fact, these attempts to play providence and dispense with equality is what is the matter with us now in this situation, is it not?

Mr. DILLARD. I think it is. I think it is very largely the cause of it.

The CHAIRMAN. Would you apply the same rule to our foreign trade?

Mr. DILLARD. Mr. Chairman, I am hardly competent to give opinions with reference to foreign traffic, because I have not had a great amount of experience and I have not studied the foreign situation. I believe, though, personally, from such information as I have, that the same conditions could probably be made to apply to the foreign traffic as to the coastwise traffic; that is, generally speaking. But I would not undertake to state that as a definite opinion of a traffic expert in those matters, because I do not have the experience sufficient to qualify me as a competent witness on that particular line.

Mr. HUMPHREY. Do you think that unrestrained competition would lead to monopoly in the operation of steamship lines?

Mr. DILLARD. That unrestrained competition—

Mr. HUMPHREY (interposing). Unrestrained competition. Let every man cut rates and do as he pleases in the steamship business?

Mr. DILLARD. No, sir; I do not believe that would entirely do away with monopolistic conditions, but I believe, if we could have free competition between all classes of coastwise vessels undoubtedly these troubles that we have would very largely disappear.

Mr. HUMPHREY. Do you not think the big fellow would eat up the little ones until the large fellow had the field to himself, and then do as he pleased? Is not that the logical conclusion, and is not that the result we have had?

Mr. DILLARD. That has been the case up to the present time. They certainly have swallowed up everything that was offered for business; either swallowed it up or else bought it out, like they did the Texas City Co.

Mr. HUMPHREY. Do you not believe we are in a position in regard to our water traffic where we will have to substitute regulation for competition to a large extent?

Mr. DILLARD. I think they will both have to be used; that you will have to regulate and in that regulation fix it so there will be the widest latitude for flexibility of the rates.

Mr. HUMPHREY. That is what I meant a while ago; whether, if we have unrestricted competition, no regulation, everyone charging what rates he pleases, that does not lead inevitably to monopoly by the stronger companies?

Mr. DILLARD. I think it does; yes, sir, since I get your point of view, and I think the better way, and in fact the only effective way,

to deal with it is to regulate, and by placing a maximum and a minimum rate allow the widest possible latitude for the rate competition.

Mr. HARDY. In other words, you want regulated competition, do you not?

Mr. DILLARD. Yes, sir.

Mr. HARDY. There is another thing that has hardly been suggested in our questioning. That is, ultimately will it not be necessary to do away with all special arrangements by which divisions of charges between water and rail are artificially adjusted? In other words, shall you not have to come to the condition of the railway charging everybody the same fee for the same services, whether they are through shippers or local shippers?

Mr. DILLARD. I think the tendency probably will be in that direction.

Mr. HARDY. What I wish to get at is this: Why should the railroad charge \$1 for the local rate on freight originating at Galveston and shipped to Dallas, when if the freight originated in Liverpool and moved through Galveston that same road would do the same work for 50 cents per hundred on through bill of lading?

Mr. DILLARD. I do not believe, Mr. Hardy, that it would have the effect of making necessary the cancellation of these divisions; and I believe in many instances the fact that the rail line will shrink its earnings lower than the local rate (or the rate from Galveston to the point you have just mentioned), is brought about by competition of the lines offering the business. Some line can handle it or bid for it more cheaply than the other line, and in such case they make the rate lower than the straight local rate.

Mr. HARDY. But it is done in order to promote and encourage certain ways of movement of freight, too, is it not?

Mr. DILLARD. Yes, sir; to increase their volume of tonnage.

Mr. HARDY. And for various and sundry purposes to attain the ends the traffic managers have in view?

Mr. DILLARD. Yes, sir.

Mr. HARDY. Without much regard to the justice or injustice of the freight rates that are charged?

Mr. DILLARD. Yes, sir.

Mr. HARDY. If they want to build up the port of New York, where it is for their convenience to do it, they haul freight from the far interior to New York and then ship it by water, or they will haul it to New Orleans for a lower rate to New Orleans than to Galveston, so as to divert the traffic to there?

Mr. DILLARD. Yes, sir.

Mr. HARDY. And, of course, it becomes a part of the through haul, does it not?

Mr. DILLARD. Yes, sir.

Mr. HARDY. It is just vaguely running in my mind that the only way you will ever regulate it is by uniform charges for the same service.

Mr. DILLARD. I do not believe it would work out to the best interests of all concerned, Judge Hardy, to make that an ironclad rule, because that would undoubtedly do away—

Mr. HARDY (interposing). Make a change?

Mr. DILLARD. Yes; it would make a most radical change.

Mr. WILSON. Is not the difference due to this fact, that by a reduction of the local tonnage rate no great amount of additional tonnage is secured, but by reduction in the through tonnage rates there is a possibility of securing a larger amount of tonnage, because it gives a wider field and thereby reduces the tonnage cost of handling each ton of material?

Mr. DILLARD. That is undoubtedly what traffic managers have in view when they make such divisions lower than their local rates.

Mr. HARDY. And as a result of that kind of conduct on their part a great deal of freight in this country moves twice the distance it ought to move, does it not?

Mr. DILLARD. That is so; yes, sir; in fact, that is the effect.

Mr. HARDY. And they are prevented from making those adjustments to meet those contingencies?

Mr. DILLARD. Yes, sir.

Mr. HARDY. Freight would move in direct lines and less distances. Consequently there would be less expense attending the final total shipping operations, would there not?

Mr. DILLARD. Yes, sir.

Mr. HARDY. But as it is they ship a roundabout way, go all around the house to come in the back door, and make all sorts of arrangements for their adjustment. Now, if you will adopt the straight method you will have straight shipments and ultimately you will have a great saving; it is bound to redound to the benefit of the country. I am inclined to think that is a new view, but I think it is worth considering.

Mr. DILLARD. I hardly believe I could subscribe to the outcome you anticipate.

Mr. HARDY. I do not expect anybody to agree with me until they study it further.

Mr. DILLARD. But the theory undoubtedly has a good deal of merit. I have never thought of the matter at all in that light.

Mr. HARDY. I just want that matter to get a start and have consideration, anyhow. I want to see what it is myself.

The CHAIRMAN. And where it will lead?

Mr. HUMPHREY. It looks very feasible, anyhow, the first time you think of it.

Mr. HARDY. I know they have so surrounded the courts and the administrative functions of this Government with their theory of going to get freight by giving cheaper rates that they have had the commission allow them to charge one-half rates for the whole distance.

Mr. HUMPHREY. They go further than that. For a while they charged less for the long than for the short haul.

Mr. HARDY. They will charge more for 200 miles than 400 miles and justify it by saying it is necessary to handle empty cars. As a result we frequently have congestion of freight, when the facilities are ample if they moved in a straight line.

Mr. DILLARD. Export and import freight are good examples of our position.

Mr. HARDY. Yes; that is one of the things they have. Now, if very carload of freight that moved from Galveston to the interior paid the same rate, whether its origin was in Europe or whether

it originated in Galveston, that would be justice, and I believe justice ultimately will be expedited.

Mr. DILLARD. It would take lots of business from foreign countries.

The CHAIRMAN. That will recast the map of Ireland.

Mr. HARDY. Then let it change it. The information produced before this committee in the last few weeks has been a wonderful demonstration of the absurdity of the whole situation.

The CHAIRMAN. Have you anything further to submit?

Mr. DILLARD. No, sir.

TESTIMONY OF MR. HENRY S. L'HOMMEDIEU, TRAFFIC MANAGER OF THE CHAMBER OF COMMERCE OF BEAUMONT, TEX.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You are traffic manager of the Chamber of Commerce of Beaumont, Tex., are you not?

Mr. L'HOMMEDIEU. Yes, sir.

The CHAIRMAN. Do you care to make a preliminary statement to the committee?

Mr. L'HOMMEDIEU. I believe not, Mr. Chairman.

The CHAIRMAN. I suppose you are here to state to the committee the conditions that exist at Beaumont, are you not?

Mr. L'HOMMEDIEU. Yes, sir.

The CHAIRMAN. We shall be glad to hear what you have to say.

Mr. L'HOMMEDIEU. Beaumont is interested in the steamship condition directly. Last August we undertook to charter or inaugurate a steamship line between Baltimore and Port Arthur. Port Arthur is 19 miles from Beaumont south. There were about 1,000,000 cases of canned goods in the Baltimore district to move into Texas and Louisiana. The Morgan and the Mallory Line steamship companies in the years past had had direct sailings from Baltimore to Galveston, taking a full cargo of canned goods. This year they were not going to do that. The canned goods were to be shipped from Baltimore to New York by rail and down on the regular lines. They had a rate of 25 cents from New York to Galveston on canned goods. The rate from Baltimore to New York, I believe, was 13 cents; they cut that rate so as to make a through rate to Houston and to Beaumont of 33 cents per 100 pounds.

The CHAIRMAN. That was from Baltimore?

Mr. L'HOMMEDIEU. Through to Beaumont.

The CHAIRMAN. By way of New York?

Mr. L'HOMMEDIEU. By way of New York; yes, sir.

The CHAIRMAN. By rail from Baltimore to New York and from New York to Houston and Beaumont by water?

Mr. L'HOMMEDIEU. Well, a great deal of that canned goods moved from Baltimore to New York by water. That necessitated the handling of the canned goods in Baltimore from the factory on to the lighters, from the lighters on to the steamship, from the steamship on to the lighters again in New York and on to the steamer in New York and the rehandling in Galveston into the cars, which on that class of traffic is liable to cause a very great amount of damage. The cases are made very thin; they throw them up into the boats in

large slings or slide them into the port holes and drop them right down into the bottom, and there is a great deal of breakage. There were a few of the Beaumont citizens who got together and thought they could bring their canned goods down at a profit of 20 cents per 100 pounds by direct sailings from Baltimore to Port Arthur and charging the Texas railway commission rate from Port Arthur to points of destination in Texas and Louisiana. Working on that theory I came up to New York and chartered a boat, a 4,000 ton steamer called the *A. A. Raven*, and had her come over to Baltimore to load canned goods. We had not any contract to carry these canned goods, except from our local Beaumont jobbers, which amounted to about 42,000 cases. We were depending on getting the rest of the canned goods in Baltimore after arrival there. When I arrived at Baltimore and announced we would carry these canned goods for a 20-cent rate, I secured a full cargo, practically at once. That was on Thursday. The *Raven* arrived in Baltimore on Sunday.

In the meantime the Morgan and the Mallory Lines got very busy and they inaugurated an auxiliary company they called the Gulf Steamship Co. I believe Mr. Brown, of the Morgan Line, was the president of the Gulf Steamship Co., and the first boat they used was the *Elmonte*, of the Mallory Line. They immediately got wires into Louisiana and Texas to all the Southern Pacific points and Mallory Line representatives (the Santa Fe and the Frisco do most of their business over the Mallory Line), that the rate from Baltimore to Galveston by direct sailing would be 15 cents on canned goods, consequently they canceled practically all my cargo I had at Baltimore, with the exception of the local Beaumont stuff that I had gotten. I tried to meet that 15-cent rate, but at the 15-cent rate they had so tied up the stuff that all I got was 72,000 cases of canned goods where I should have hauled about 130,000 cases to have taken down 4,000 tons.

If we could have hauled 4,000 tons of canned goods down at \$4 a ton, that would be \$16,000. These are net tons; the steamship lines, I believe, figure in gross tons. It would amount to \$16,000. We had made arrangements for northbound cargo. Morgan, Mallory, or anybody can always get northbound cargo out of Texas. You can always get lumber at any time, but our southbound expenses we figured would be about \$9,000, and they ran to about \$10,000, but our southbound freight, after the Morgan and Mallory Lines got through with us, came to but \$6,000, and consequently we lost in the southbound trip about \$4,000, which meant a net loss to the few men in Beaumont that chartered the boat. The idea was to inaugurate a steamship line between Port Arthur and Baltimore, with regular sailings. We had options on three brand new boats that had been built on the Great Lakes; one was the *Raven*, one the *Ruby*, and the other the *Thompson*.

The rail haul from Pittsburgh district to Baltimore is a 2-cent differential under New York; consequently if we could have handled steel through Baltimore from the Pittsburgh district into Texas we could have handled it cheaper than they can handle it from New York. We figured that if we could get the steel traffic out of the Pittsburgh district through the Texas points that would pretty nearly keep these boats busy, picking up what general merchandise we could, but the Morgan and Mallory Lines saw fit to cut and slash

the rates to such an extent that we went out of business on the first trip.

Mr. HUMPHREY. They put the rates back, did they?

Mr. L'HOMMEDIEU. The rates are just the same now as before we inaugurated the steamship company.

Mr. HUMPHREY. Is there not a law on the statute books which provides if a steamship company reduces its rates in order to destroy competition they can not restore them again?

Mr. L'HOMMEDIEU. No, sir; as I understand it, there is in fact no restriction at all on the port-to-port rate.

Mr. HUMPHREY. There is a law of that kind; it may apply only to railroads.

Mr. HARDY. That does apply to railroads only.

Mr. HUMPHREY. Have you ever called the attention of the Department of Justice to this situation of yours?

Mr. L'HOMMEDIEU. No, sir; we did not.

Mr. HUMPHREY. You should have. You ought to do it yet.

Mr. HARDY. I think it is admitted, Mr. Humphrey, that there is no law giving the railroad commission any authority to regulate the port-to-port rates.

Mr. HUMPHREY. On vessels?

Mr. HARDY. On vessels.

Mr. L'HOMMEDIEU. That is the fact.

Mr. HUMPHREY. I was referring to the particular statute, but it may only apply to railroads.

Mr. HARDY. That law we passed in 1909-1910. That applied to railroads only.

Mr. L'HOMMEDIEU. As long as they would bill a shipment into a port and rebill it on to the steamship line, haul that into Galveston, and rebill it, the Interstate Commerce Commission has no jurisdiction over the port-to-port rate for the water haul at all.

Mr. HARDY. Has not the Interstate Commerce Commission recently held that a shipment to Galveston, billed to Galveston but intended for Brenham, from, say, Waco, is interstate commerce and subject to the jurisdiction of that commission?

Mr. L'HOMMEDIEU. I have heard of no such decision. I took this matter up with the Interstate Commerce Commission as to port-to-port rates when there was a rail haul connected with it, and they said as long as the rail haul constituted part of the through rate they had jurisdiction. Of course, I knew that. But as long as it moves from port to port on the water they have no jurisdiction of the rate at all.

Now, they will bill a shipment—for instance, suppose you were in Houston, Tex.; you could bill a shipment from Pittsburgh to Houston, New York to Galveston, final destination Houston; that would be called an amended bill of lading, and also on the waybill and the manifest of the steamship company.

Mr. HARDY. That would be subject to that jurisdiction, would it not?

Mr. L'HOMMEDIEU. No, sir; it would not be subject to that jurisdiction. That is why we complain of that. It should be.

Mr. HARDY. It is billed from Pittsburgh to New York?

Mr. L'HOMMEDIEU. Yes, sir; and then New York to Galveston and Galveston to Houston.

Mr. HARDY. And that they hold is not rail and water?

Mr. L'HOMMEDIEU. No, sir. They bill it from Pittsburgh to New York and New York to Galveston, Galveston to Houston; but across the face of the bill of lading or the manifest they will carry "final destination, Houston, Tex."

Mr. HARDY. I think you will find they rendered a decision just recently, and our Texas commission has been complaining it almost destroys their vitality, because they have made almost every shipment to Galveston that is foreign bound subject to the Interstate Commerce Commission.

Mr. L'HOMMEDIEU. Well, it should be, in our opinion.

Mr. HARDY. I think they went so far as to hold even if it was billed separately to Galveston, but you could show the ultimate destination of it was to ship it abroad, that it was interstate.

Mr. L'HOMMEDIEU. The way the water rates govern down there—for instance we have a factory, or a branch office rather, of the Avery Co. down there, who originally located in Beaumont. They were looking for a point in southwest Texas for a distributing station. They manufacture their product at Peoria, Ill. The rate on their traction engines from Peoria to Beaumont is 73 cents per 100 pounds. The rate on their traction engines from Peoria to Dallas, Tex., is 93 cents per 100 pounds. They pull the product from Beaumont right through Dallas, that is 87 miles farther north, for 27 cents less than they will stop it at Dallas.

Mr. HARDY. That is the long and short haul—

Mr. L'HOMMEDIEU. No, sir; that is based directly on water competition.

Mr. HARDY. I know; based on alleged water competition. They have been allowed to charge more for a long distance than for a short distance.

Mr. L'HOMMEDIEU. Oh, yes.

Mr. HARDY. Which brings me back to the very proposition I want to get at.

Mr. WILSON. You mean greater for a short distance than for a long one.

Mr. HARDY. Yes; that is what I meant. That brings me back to the proposition that the only way we are going to get results is to absolutely prohibit an injustice in every case, and never permit them to haul freight through a place cheaper than they haul it to a place.

Mr. L'HOMMEDIEU. In other words, you will do away with the fourth section entirely?

Mr. HARDY. Absolutely.

Mr. L'HOMMEDIEU. To a certain extent, do you not think that would work an injustice on some of the roads?

Mr. HARDY. The result of that would be that water transportation could live, even on the rivers, where it can not live now.

Mr. L'HOMMEDIEU. The Direct Navigation Co., operating between Houston and Galveston, is owned by the Southern Pacific Railway. They admit that themselves. We had a hearing before the Interstate Commerce Commission in which they admitted ownership of the Direct Navigation Co., but they do move quite a good deal of tonnage over that Direct Navigation Co.

The CHAIRMAN. You may state that case in which you say the Interstate Commerce Commission held it was not a through shipment.

Mr. L'HOMMEDIEU. We had a shipment of steel originating in Pittsburgh, Pa., that was going to Houston, Tex. That steel was shipped from Pittsburgh to New York, from New York to Galveston, and rebilled to Houston, but the bill of lading that is issued in Pittsburgh will give the final destination as Houston, Tex., for that shipment.

Mr. HARDY. Is it rebilled at New York?

Mr. L'HOMMEDIEU. Oh, yes; it is rebilled at New York.

The CHAIRMAN. What did the Interstate Commerce Commission hold as to that?

Mr. L'HOMMEDIEU. That the water haul of that shipment was not under their jurisdiction.

The CHAIRMAN. Did the shipper at any time during that shipment take possession of the goods himself?

Mr. L'HOMMEDIEU. No, sir; he never touched them. He never sees the shipment until it reaches his town.

The CHAIRMAN. I understand from Mr. Percy, who represents the Interstate Commerce Commission (he is an agent of the Interstate Commerce Commission), that the Supreme Court has recently held it is a through shipment.

Mr. L'HOMMEDIEU. And the rate then comes under the jurisdiction of the Interstate Commerce Commission?

The CHAIRMAN. Yes; of the Interstate Commerce Commission.

Mr. L'HOMMEDIEU. I am mighty glad to hear that. Beaumont is located on the Neches River, which is 19 miles from the Gulf. We have a river that it is said flows the largest volume of water in the United States with the exception of the Mississippi and the Missouri Rivers. We will be a deep-water port by January 1, 1914. The Government has appropriated \$1,499,000 for deepening the ship canal, and the city of Beaumont has appropriated a like amount, so we will have port-to-port rates in Beaumont by January 1 of next year if everything works out smoothly. But the situation with us now is that we are going to bring on a big fight because we now enjoy a 3-cent differential over Galveston and Port Arthur, the same, for instance, as Houston enjoys over Galveston on their cotton shipments. And when we become a deep-water point are they going to do away with our 3-cent differential? They will have to.

Mr. HARDY. How do you mean that Houston enjoys a differential over Galveston now?

Mr. L'HOMMEDIEU. They enjoy a 3-cent differential over Galveston now.

Mr. HUMPHREY. From what points do you mean?

Mr. L'HOMMEDIEU. All Texas points.

Mr. HUMPHREY. By rail, do you mean?

Mr. L'HOMMEDIEU. Yes, sir; by rail to ship side. That is the reason Houston exports so much cotton through Galveston.

Mr. HARDY. You have a 3-cent differential to ship side?

Mr. L'HOMMEDIEU. Yes, sir.

Mr. HARDY. I thought you meant it was 3 cents cheaper from Houston to interior points than Galveston.

Mr. L'HOMMEDIEU. Southbound into Houston.

Mr. HARDY. Commodities coming from the north into Houston are allowed to be shipped there 3 cents cheaper than they are to Galveston?

Mr. L'HOMMEDIEU. Yes, sir.

Mr. HARDY. And then when it gets the port-to-port privileges it will have the same rate outward as Galveston?

Mr. L'HOMMEDIEU. Yes, sir.

Mr. HARDY. Your differential at Beaumont is 3 cents cheaper than Galveston?

Mr. L'HOMMEDIEU. Yes, sir; we do not compete with Galveston or with Port Arthur.

Mr. HARDY. But you have a 3-cent differential over Port Arthur now?

Mr. L'HOMMEDIEU. Yes; over Port Arthur.

Mr. HARDY. And will have the same rate out which that port has?

Mr. L'HOMMEDIEU. Yes.

Mr. HARDY. That will give you a very clear advantage over Port Arthur, will it not?

Mr. L'HOMMEDIEU. Yes; a very decided advantage.

Mr. HARDY. Who gave that differential; the State commission?

Mr. L'HOMMEDIEU. Yes; the State commission.

The CHAIRMAN. But when you become a deep-water port that differential will be wiped out?

Mr. L'HOMMEDIEU. That is what we do not know.

Mr. HARDY. It has not been at Houston, and yet Houston has had port-to-port rates heretofore.

Mr. L'HOMMEDIEU. Houston is not a port.

Mr. HARDY. Do they not enjoy port-to-port rates?

Mr. L'HOMMEDIEU. No, sir.

Mr. HUMPHREY. How soon will that canal be finished to Houston?

Mr. L'HOMMEDIEU. They say in two years, and I think that possibly it will. The Government appropriated, I believe, about \$2,000,000 for that work.

Mr. HUMPHREY. They only appropriated whatever was necessary; I know that.

Mr. L'HOMMEDIEU. I believe it was \$2,000,000, and the city of Houston did likewise. They appropriated \$2,000,000. We feel that the port-to-port rates should be under the jurisdiction of the Interstate Commerce Commission. We are willing to trust to the fairness of the Interstate Commerce Commission on a port-to-port rate.

The CHAIRMAN. What do you say about a maximum and minimum rate?

Mr. L'HOMMEDIEU. I believe the Interstate Commerce Commission should fix a minimum rate.

The CHAIRMAN. To prevent just such cutthroat competition, which wipes out the little fellow?

Mr. L'HOMMEDIEU. Yes, sir. A small concern can not operate on the Gulf coast to the North Atlantic ports under the present conditions. They would simply put them out of business if they hauled the business for nothing.

Mr. HUMPHREY. Do you know of any place where a little fellow can operate on the ocean?

Mr. L'HOMMEDIEU. Not very handily. I am well aware of the fact, though, that he can not in Texas.

Mr. HARDY. Do you know anything of Mr. Warfield's venture? Why it is he is eking out a miserable, protracted existence there at Velasco?

Mr. L'HOMMEDIEU. Yes, sir; I am well acquainted with him.

Mr. HARDY. What is the matter with him, that he is not dead?

Mr. L'HOMMEDIEU. He has back of him Blair, Hughes & Co., one of the largest shippers in Texas. Mr. Hughes is president of the Seaboard & Gulf Steamship Co. They are bound up with the shippers by contracts, and for that reason they make ridiculously low rates. For instance, they make a rate on chicory from New York to Houston of 18 cents, in car lots.

Mr. HARDY. You said somebody was back of him, and that man was president of what company?

Mr. L'HOMMEDIEU. Blair, Hughes & Co.

Mr. HARDY. He is president of what steamship company?

Mr. L'HOMMEDIEU. The Seaboard & Gulf—Mr. Warfield's company.

Mr. HARDY. Are they not connected pretty directly with some of these leading lines? Have they any connection with this conference line?

Mr. L'HOMMEDIEU. I am not in a position to say, but I have very serious doubts.

The CHAIRMAN. Is it not true that the only reason he has not been driven out long ago is that he has a little railroad down in Texas that furnishes tonnage to his boats? He has only one boat.

Mr. L'HOMMEDIEU. He only has one boat, the *Honduras*.

Mr. HARDY. Is it not true that he connects with that railroad?

Mr. L'HOMMEDIEU. Yes; I understand that is a fact.

Mr. HARDY. He has a railroad down there in which he has an interest.

Mr. L'HOMMEDIEU. I can not understand how they operate a steamship company if they haul chicory from New York to Houston for 18 cents and give 12 cents of it to the rail line. I can not understand how they stay in business on any such rate as that.

Mr. HARDY. I presume he gets it on his north-bound freight.

Mr. L'HOMMEDIEU. He carries lumber for \$6.50 per thousand feet.

Mr. HARDY. He says they let him live because he was only like a fly on their nose anyhow, but it seems that he was as big an obstacle as you were, and they would not let you live.

The CHAIRMAN. They may take care of Mr. Warfield after he is dead.

Mr. L'HOMMEDIEU. I think they will. They put us out of business very rapidly, and they did not make any bones about it at all. They did not mind for a moment telling me in Baltimore that they were going to do it.

Mr. HARDY. You say they chartered this vessel—whatever its name was—under the name of some other company?

Mr. L'HOMMEDIEU. Oh, yes; they formed an auxiliary company—the Gulf Steamship Co.

Mr. HARDY. What has become of the Gulf Steamship Co.?

Mr. L'HOMMEDIEU. It has gone the same route as our Standard Transportation Co. did. It went up in smoke.

Mr. HARDY. It had a butterfly's existence?

Mr. L'HOMMEDIEU. Yes, sir. They were to run two boats. The *Elmonte* and some other boat was to go into Baltimore and get this business of carrying canned goods. When they fixed us they did not think it was necessary to send the second boat in, and they jumped the rate back to 22 cents.

Mr. HARDY. You became the "McGinty" of the situation and went to the bottom of the sea?

Mr. L'HOMMEDIEU. Yes, sir.

The CHAIRMAN. If you appear again in the trade you have no doubt that the Gulf Steamship Co. will also make its reappearance?

Mr. L'HOMMEDIEU. Not the least in the world. But the way they handled that proposition is what got on our nerves a good deal more than the loss of the \$4,000. They did it so secretly, and they had us out of the business so quickly, before we knew what happened to us, that we did not know what we were doing. They had all the Texas cargo bound up before I ever knew the thing had been organized, and I was up in Baltimore.

Mr. HARDY. How did they get onto your curves? How did they know you were in the performance?

Mr. L'HOMMEDIEU. I do not know. They got onto it very rapidly. I think they know every steamship that is for hire or sale, every American bottom.

Mr. HARDY. There is no doubt that they know every one of them.

Mr. L'HOMMEDIEU. We tried to have the charter party ready and the boat in Baltimore.

Mr. HARDY. But you were not 1—2—3 in that game?

Mr. L'HOMMEDIEU. We admit that they are a little smoother in that game than we are.

Mr. HUMPHREY. You have heard something about playing the other fellow's game, have you not?

Mr. L'HOMMEDIEU. We could have played that game at a very nice profit if they had let us alone, and carried at a very much less profit than they could. We simply tried to demonstrate to the Mallory and the Morgan lines that their rates were too high, that they were carrying a line of rates that were too high, and that they could have made money at lower rates. And undoubtedly they could have done it, because they do not have the expense which we had to incur.

Mr. HARDY. There is some evidence before us that notwithstanding all the big rates on these big steamship lines they are losing money. I think we had a big company here the other day that claimed to be on a losing basis for all of 1912.

Mr. L'HOMMEDIEU. Did you inquire into what percentage they were giving to their rail line? If they own the rail line, and give the water line 2 per cent and the rail line 98 per cent, the water line will show a loss.

Mr. HARDY. This was a combination rail and steamship line. They had \$500,000,000 assets according to the physical valuation, and they had lost between five and six million dollars last year on a basis of 6 per cent interest on both the ventures put together, and they

absolutely dominated the whole New England situation. It is the New York, New Haven & Hartford system, which made that showing before us yesterday.

The CHAIRMAN. As you suggest, that could easily be brought about by bookkeeping—a differential in the water and rail rate.

Mr. L'HOMMEDIEU. That is the idea exactly. It is just a matter of bookkeeping entirely.

The CHAIRMAN. I believe there is a ship line out on the Pacific coast that shows a net loss every year, a line between San Francisco and Portland, is there not?

Mr. HUMPHREY. I do not know.

Mr. L'HOMMEDIEU. That is another Southern Pacific interest.

Mr. HARDY. That is all, unless there is some other matter you wish to speak on.

Mr. L'HOMMEDIEU. I have nothing further except to say that we would be very well pleased in our section of the country to see the port-to-port rates brought under the jurisdiction of the Interstate Commerce Commission.

Mr. HARDY. That is the sum of what you at the present time feel like asking?

Mr. L'HOMMEDIEU. Yes; we trust to the fairness of the commission to give us a just rate.

The CHAIRMAN. You understand we do not make the rates. We are simply a committee of Congress.

Mr. L'HOMMEDIEU. Yes; I understand that.

The CHAIRMAN. We are trying to convince the Interstate Commerce Commission that they should have jurisdiction of these water rates.

Mr. L'HOMMEDIEU. I hope you succeed.

The CHAIRMAN. And vest them with that power. That is all.

TESTIMONY OF MR. H. H. RAYMOND, VICE PRESIDENT AND GENERAL MANAGER CLYDE STEAMSHIP CO. AND MALLORY STEAMSHIP CO., PIER 36, NORTH RIVER, NEW YORK CITY.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What position do you hold, Mr. Raymond?

Mr. RAYMOND. I am vice president and general manager of the Clyde Steamship Co. and the Mallory Steamship Co.

The CHAIRMAN. Do you care to make a preliminary statement before we interrogate you?

Mr. RAYMOND. I think I do, Mr. Chairman. Just before making this preliminary statement I think it perhaps proper to preface my remarks by saying that I am here on invitation of your committee. I wish to give you all the information I can, freely and frankly. I am much interested in this testimony of the Texas lines, and while I thought we were here in response to a resolution to investigate water transportation generally what I have heard here is as to a Texas rate adjustment.

Mr. HARDY. You have only heard it one day. We have had other days.

Mr. RAYMOND. There have been so many conflicting statements in that testimony, unintentionally, no doubt, that if it is the wish of the committee I will prepare, or will have prepared, a brief in answer

to that rate adjustment, or we will give the agents of the Government, whether from this committee or from the Interstate Commerce Commission, or any other agency, free access to all our records.

The CHAIRMAN. We will be very glad to have you prepare that statement, Mr. Raymond, to go in the record.

Mr. RAYMOND. Mr. Chairman, I have been in the coastwise business upward of 25 years. In referring to conditions existing in the past I should like to be understood as speaking authoritatively, but any references with relation to future developments or possibilities are only expressions reflecting my personal views.

The present companies of which I am an executive were organized in 1906, and although affiliated by ownership and management, are separate and distinct corporations, the Clyde Co.'s operations being largely confined to the Atlantic seaboard and the Mallory's to the Gulf of Mexico and port of New York; and, excepting a little interior territory in the Southeast and Mississippi Valley, the operations of these two companies are noncompetitive, and the purpose of joint management is purely economic.

It is interesting to trace the origin and development of these two companies, each representing to a considerable extent the commercial history of families that will forever be associated with the development of American marine commerce.

The Clyde operations date back to 1844 and span a period of 69 years, and have ever been commensurate with the development of the ports it served (and not a few times much in advance of such development), and consequently an important factor in the commercial prosperity not only of its ports but adjacent territory. The city of Jacksonville and State of Florida are to-day and have been for upward of 25 years beneficiaries of the progressive policy of the Clyde Co.

The Mallory operations, dating back to the days of clipper sailing vessels, embraced the pioneer ventures to southern ports of the United States and of South America not previously enjoying regular commercial relations with New York and the manufacturing centers tributary to the metropolis.

It is significant and worthy of special notice by your committee that the operations of these two companies, as well as the other old companies now engaged in the coastwise traffic, are and most generally have been separate and distinct. This is not because of any mutual understandings to avoid port-to-port competition, for none exist. The early operations of any steamship enterprise between two given ports are generally attended with financial losses before a successful line is established. These losses would be prolonged, if not perpetuated, if two lines attempted to operate where there is only room for one and not always that. Experienced steamship officers would no more think of having their companies enter a port adequately served by other companies than a railroad would consider paralleling a competitor's tracks through a relatively barren country.

It should not be assumed, however, that because two companies do not serve the same ports they do not compete with one another for the greater percentage of traffic they handle; for, as a matter of fact, in addition to the all-rail competition, all steamship companies are aggressively soliciting and continually improving their service

to obtain business for common territory reached by each through different ports or gateways.

For illustration, Atlanta, Ga., is a large receiving and consuming point, as well as a gateway for territory beyond, for traffic originating at New York and points tributary to New York. The Old Dominion Steamship Co. with daily sailings to Norfolk, the Clyde Steamship Co. with four sailings a week to Charleston, the Ocean Steamship Co. with three sailings a week to Savannah, and the Mallory Steamship Co. with one sailing weekly to Brunswick, all from New York, in addition to all-rail dispatch lines, are, with their rail line connections, seeking through traffic for Atlanta vigorously and all are subject to governmental regulation. The situation is more complex by outlets through other ports, notably Boston, Philadelphia, and Baltimore, for traffic originating at interior eastern points that can be influenced through these ports by other well established and well regulated steamship companies. There are not less than 43 vessels leaving northern ports each week for South Atlantic and Gulf ports with an aggregate capacity for freight and passenger traffic much in excess of the present requirements.

Should offerings of tonnage available for water carriage increase the present companies would increase their service to meet the demands. Should others inaugurate a steamship service between the ports served by our companies there could only be one of two results: If the same rates which we operate were maintained and a service equal to ours was operated there would be a division of the business, with the result and effect that we would either have to decrease our service or sustain losses, or if the rates which are operated and which are reasonable were cut by such competitors we would be compelled to meet such reductions or discontinue our service.

In either event it would mean a loss to our companies, and while considering the matter of diversified lines as between certain ports and the effect such additional service would have upon the revenues of the present companies the shipper and consignee are to be considered, not only in so far as service is concerned but in so far as their actual financial status is concerned. Rates, regardless of what they may be, must be stable and the same for one and all. Rate wars, contrary to the idea that seemingly prevails with many people, do not always redound to the benefit of the shipper and consignee, but on the contrary mean bankruptcy to many, especially to the smaller shippers.

On page 14, part 4, of the report of the Commissioner of Corporations, will be found the following quotation:

It is a striking fact that there is not a single direct line from Boston to any Gulf port.

It should strongly appeal to the average person that if a regular steamship service could be profitably operated between Boston, Mass., and a Gulf port, that service would have been established years ago. The Mallory Line made an actual experiment of operating a service between Boston and Galveston, Tex. This attempt was a losing proposition and could not be changed to a profitable one, even by supplementing such service by calling at other ports. Furthermore, I must frankly say, that I do not to-day know of a single port on the Atlantic coast that would, with the business originating at such ports

proper, enable a continuance for even a brief period of the services now maintained by the various established lines.

The tonnage from the ports proper has to be supplemented by the tonnage from the interior. Little tonnage would move through Boston to Gulf ports at the same rates as via New York for the reason that the latter offers the line of least resistance as well as offering, due to its volume of tonnage, superior service and facilities. A steamship, as is well known, must have a certain proportion of heavy cargo for safe sailing, and especially is this true of steamers sailing in the tropical waters in the spring and fall months. She must not only have a fair proportion of heavy cargo, but she must have a reasonably large cargo, especially for a trip of 2,473 miles—the distance from Boston, Mass., to Galveston, Tex.—to earn anything.

Undoubtedly, if the New England shippers would place sentiment in advance of business they could supply sufficient tonnage to maintain a weekly sailing from Boston to Galveston, but in my years of practical experience in steamship business I have yet to find sentiment substituted for good business ideas for any length of time. With five regular weekly sailings from New York for Galveston, and more or less frequent service to Velasco, Tex., it can be easily understood that the average shipper would not undertake to accumulate his shipments for a weekly sailing from Boston, and incidentally subject shipments to a week's delay, as compared with what might be stated as a daily service from New York. This would be especially true with the shippers of package freight.

Considering the matter of service and time in connection with the criticism of the nonoperation of a direct steamship service from Boston to some Gulf port, it is pertinent to refer to other references made to the operation of single lines only from New York and other eastern ports to South Atlantic ports. The volume of traffic offering and which can be handled by water transportation from and via the ports of Boston, Providence, New York, Philadelphia, and Baltimore, to and through the South Atlantic ports, I can say, of my own knowledge, is being amply provided for and moved promptly by the established steamship lines, and under rates which are not only reasonable in and of themselves so far as the shippers are concerned, but in some instances certain commodities are handled under rates which, while yielding some profits, are so exceedingly low that such rates would not, as a matter of fact, be operated at all except for the purpose of enabling the shippers to compete at certain points of destination with shippers of like commodities more favorably located, both as to distance and rates, with the point of consumption.

It is an admitted fact that while competition between railroads sooner or later leads to combination or consolidation, excepting in the case of intrastate roads which are parallel to reach competitive points, and competition might also lead to combinations or consolidations of steamship lines, the steamship companies can not advance their rates materially owing to competitive markets, unless the railroads do, and the railroads in late years have not been very successful in their efforts in this direction. It is a conceded fact that for a period of over half a century the water rates were the most effective cheapeners and regulators of railway charges. Their influence was not confined within the limits of the territory immediately accessible to water communication, but extended and con-

trolled railroad rates at such remote and interior points as had competing lines reaching means of transport by water. As a result, and as testimony submitted to the Interstate Commerce Commission by the various railroads in the Southeast for relief from the fourth section will substantiate, there is hardly a rate in effect to-day south of the Ohio River and east of the Mississippi River that was not established under the influence of water competition. The influence of the water competition having so created these rates, and the railroad companies' inability to raise them under the present interstate-commerce law, reverses the condition of things to the extent that to-day, under the changing in markets which has been rapidly taking place during the last 20 years, the railroads are more of a controlling factor in the regulation of the water-line rates than are the water-line rates a factor in regulating the railroad rates.

Not only is this true as respects the interior territory south of the Ohio River and east of the Mississippi River, but to the Atlantic ports, as can be fully demonstrated by a comparison of the rates embodied in the tariffs of the rail lines on file with the Interstate Commerce Commission with the all-water rates, a complete file of which (of the Clyde and Mallory Lines) are now in your hands.

Ports to a steamship company are what local stations are to a railroad company. To divide the business destined to ports locally would frequently mean the elimination of the weaker line.

It is a common assumption that because a ship carries a lot of freight she must necessarily make a lot of money. Likewise, a company owning a number of vessels and doing an apparently large business is a fit subject for attack.

Little is known by such people of the expense features and it would be hard to convince them much traffic is unremunerative, but such is a fact. I will not undertake to dwell on the intricacies of rate construction or adjustment nor divisions of through rates forced on steamship companies for a considerable percentage of traffic that such companies would be better off without. It is enough to say that some traffic, instead of yielding any margin of profit above the cost of handling, results in actual expense for every 100 pounds or ton carried.

The competition also of unattached vessels, as well as schooners and barges, levels the rates on bulk commodities even more than the law of supply and demand, for it frequently happens that a vessel having a profitable load in one direction will seek and obtain a cargo in the reverse direction for ballast, at a rate about equal to or very little in excess of handling charges. Such vessels have little or none of the attendant fixed expense encountered by regular lines for terminals, solicitation forces, and commercial associations necessary for successful operations.

It has been stated by persons preceding me before your committee that the lines with which I am associated are a consolidation and that their operations are prejudicial to the best interests of certain shippers and consignees, as well as tyrannical to competitors. That we are a part of a combination in a respect that a majority stock ownership exists we do not deny. The fundamental purpose of the consolidation was not to restrict competition, for our lines geographically are not competitive, but to curtail expenses. The administrative and executive as well as general expenses of our companies are

necessarily large, but relatively less than would be the case if operated independently. The terminal expenses also—particularly at New York, where it is difficult to obtain adequate dock facilities—would be much greater for our companies if operated independently than under a common management.

We are not interested in one share of railroad stock, nor is there any railroad that owns any stock of our companies; and I might add that it is significant that steamship securities are not regarded with particular favor by investors.

The charge made by certain managers of small companies that we have exercised an influence with shipbuilding companies, insurance underwriters, civic and municipal authorities, or prospective investors, and the implication that we have been guilty of seeking to bribe their employees or have sought information we are not entitled to have in a regular manner, are unworthy of notice, excepting that such were made in apparent sincerity before your committee. The conclusions of such gentlemen are based on suspicion and supposition only.

The CHAIRMAN. Mr. Raymond, there is no competition between your lines and other lines between points where your lines operate, is there?

Mr. RAYMOND. By that do you mean between ports?

The CHAIRMAN. Yes; between ports.

Mr. RAYMOND. Yes and no. At some of the ports the same rates apply via competitive points; to other ports they do not. There are not, as I recall at this moment, any water-line competitors except between the ports of New York and Galveston—any direct water-line competitor. In the case of Jacksonville, we have a water line to Savannah against the rail; they deliver the same goods at the same rate that we do. That is true of other ports.

The CHAIRMAN. From New York to Savannah by rail?

Mr. RAYMOND. New York to Savannah by water and thence by rail, Savannah to Jacksonville.

The CHAIRMAN. At the same rates?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. First give us the ports between which the Mallory Line steamers run.

Mr. RAYMOND. Between New York and Brunswick, Ga., New York and Key West, New York and Tampa, New York and Mobile, and New York and Galveston.

The CHAIRMAN. Except as to Galveston, what other water line operates between the points named?

Mr. RAYMOND. There are none.

The CHAIRMAN. And between New York and Galveston what other lines go than the Mallory Line?

Mr. RAYMOND. The Southern Pacific Co., commonly called the Atlantic Steamship Line.

The CHAIRMAN. What relationship is there between the Southern Pacific Lines and the Mallory Lines?

Mr. RAYMOND. The relationship of a competitor only.

The CHAIRMAN. They charge the same rates, do they not?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Is that by agreement?

Mr. RAYMOND. No, sir.

The CHAIRMAN. Explain to the committee how it happens that both lines have the same rates?

Mr. RAYMOND. We are engaged largely, Mr. Chairman, in the domestic business, the company of which we are speaking now, the Mallory Line, entirely so. Railroad conditions of transportation, such as classification, carload and less than carload rates, predominate in the domestic freight. Consequently the coastwise lines have been forced to adopt similar conditions, except on bulk cargo.

The CHAIRMAN. Can you give us an illustration? Take a commodity and illustrate what you mean.

Mr. RAYMOND. Railroad rates are uniform as between competitive points, and the shippers expect and require the same thing of the steamship companies for a similar service as the railroads give. Therefore we do have conferences to the extent of keeping each other informed, not necessarily in agreement. All rates in the United States are made that way, with the authority, or tacitly so, anyway, of the commission.

The CHAIRMAN. Between railroads the rates to competitive points are made with the consent of the Interstate Commerce Commission, are they not?

Mr. RAYMOND. Ours are the same way, sir.

The CHAIRMAN. I am speaking about the railroads. You conform to the same practice, do you?

Mr. RAYMOND. We conform to the same practice and are members of the same associations.

The CHAIRMAN. What association fixes the rates for the water lines between New York and Galveston?

Mr. RAYMOND. None, in that instance; but they do fix the rates—or, they do not fix them, but some individual acts as an agent of all the companies and distributes this information for the matter of economy in the preparation of tariffs and so on. So the rates must necessarily be the same.

Mr. HARDY. By what authority does he act for them all?

Mr. RAYMOND. By the authority of the statutes, under the statutes.

Mr. HARDY. You do not give him any authority, do you?

Mr. RAYMOND. The Interstate Commerce Commission is our only authority.

The CHAIRMAN. There is some question about whether you understood me and whether I understood you correctly. I understood you to say that the port-to-port rates between your line and the Southern Pacific lines are the same.

Mr. RAYMOND. Yes, sir; for a similar service.

The CHAIRMAN. And that they are adjusted in conference?

Mr. RAYMOND. They are not adjusted in conference, Mr. Chairman. I could not say that they were the result of an understanding or agreement, because they are not; but proper business dictates to the officer who might be charged with getting the results that the company is entitled to know what his competitor is doing. If we lowered our rate the Southern Pacific would lower theirs, and it would be the case in the reverse direction.

The CHAIRMAN. Who is the person that represents the two companies as a common agent to ascertain the conditions and to make up the schedule of rates?

Mr. RAYMOND. There is not such an agent or officer, not on port-to-port business.

The CHAIRMAN. You have port-to-port rates, have you not?

Mr. RAYMOND. We have.

The CHAIRMAN. Where did they originate; who makes them?

Mr. RAYMOND. That would be before my time, Mr. Chairman. They are made in view of competitive conditions from various markets and various routes.

The CHAIRMAN. That is true so far, I suppose, as competition between the all-rail and the water rates are concerned?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. But does your line make the rate and the Southern Pacific lines conform to that rate?

Mr. RAYMOND. I can read into the record here the general rate adjustment of that Galveston situation, if that would be of any benefit.

The CHAIRMAN. If it will illuminate that point, that is what we should like to have.

Mr. RAYMOND. Just to Texas or to Kansas, Oklahoma, Colorado, Utah, and all other places?

The CHAIRMAN. I am talking about port-to-port rates, now.

Mr. RAYMOND. The port-to-port rates, as I understand, originally from New York to Galveston, were made with some connection to the rates from St. Louis to Galveston or St. Louis to Texas—common points. I am really uninformed on the rate construction of Texas. I have been in the steamship business all my life, but I can not answer those technical questions. I can furnish you a statement of how they are made and have you look into its accuracy.

The CHAIRMAN. But here is a rate on a certain commodity from New York to Galveston, Tex., a port-to-port rate. That rate is charged by the Mallory Steamship Line. Now, is that rate made by the Mallory Steamship Line or the Southern Pacific, or by the Morgan Steamship Line?

Mr. RAYMOND. It might be made by either and followed by the other.

The CHAIRMAN. Which is true?

Mr. RAYMOND. I could not answer.

The CHAIRMAN. You state the rates are the same, and yet you are unable to tell the committee just how that happens.

Mr. RAYMOND. It must be perfectly patent to the committee, Mr. Chairman, that if you or I, for illustration, had competitive companies from New York to Galveston, and were giving to the public the same service, the same facilities, that it would be your business and my business to keep informed as to what the rates were. We could not lower and raise them at our will. One or the other would surrender.

The CHAIRMAN. Then each company informs the other of its rates, does it?

Mr. RAYMOND. Yes, sir; admitted.

The CHAIRMAN. If you lower a rate from New York to Galveston you notify the Southern Pacific or the Morgan Steamship Line, do you not?

Mr. RAYMOND. Admitted.

The CHAIRMAN. If you increase a rate you notify them, do you not?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Now, do you lower the rate in the one instance or increase the rate in the other instance without consultation?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. And the other will conform to it?

Mr. RAYMOND. Not necessarily.

The CHAIRMAN. Well, they do in fact, do they not?

Mr. RAYMOND. In most cases. We have advanced rates where they did not advance them.

The CHAIRMAN. That was for some special reason, was it not?

Mr. RAYMOND. For the reason that the traffic was undesirable or unremunerative.

The CHAIRMAN. Of what associations are your lines members that fix rail and water rates?

Mr. RAYMOND. Speaking of one, Mr. Chairman, or both lines?

The CHAIRMAN. Take the Mallory Line.

Mr. RAYMOND. I would much prefer to read it from the list of answers that I made to your inquiries. They are all in there and I might omit some.

The CHAIRMAN. Very well, you might give it in a few words.

Mr. RAYMOND. In the Southeast we are a member of the Southeastern Freight Association, with headquarters at Atlanta. I really would prefer not to trust my memory with this.

The CHAIRMAN. Very well, if you have it there.

Mr. RAYMOND. I haven't it. You have the book.

The CHAIRMAN. The rates are made in those associations, are they not?

Mr. RAYMOND. Probably not in the sense that you mean it, Mr. Chairman, or that the question would imply.

The CHAIRMAN. Well, in what sense are they made in those associations?

Mr. RAYMOND. The traffic officers of the various companies, both rail and water, meet in conference, I think it is every 60 days, to discuss, as I understand it (I have not been in a rate committee under the present laws), and the rates are announced and put in effect. It is clearly with the permission of the Interstate Commerce Commission, by which all this traffic is regulated, except the port-to-port business.

The CHAIRMAN. We have not the question of legality up here; we simply want the *modus operandi*.

Mr. RAYMOND. I would prefer to furnish you that in a letter, or else send a traffic officer here to answer those technical questions.

The CHAIRMAN. Who would you suggest?

Mr. RAYMOND. In our company?

The CHAIRMAN. A traffic officer who is familiar with these matters?

Mr. RAYMOND. On the southwestern and the Galveston situation either Mr. R. S. Stubbs, general freight agent of the Southern Pacific, or Mr. J. B. Dennis, traffic manager of the Mallory Line. In the territory which lies south of the Potomac and east of the Ohio River, I would suggest one of the gentlemen you had here yesterday, Mr. Moore, traffic manager of the Merchants & Miners' Transportation Co., or Mr. Woodrow, of the Old Dominion Line, or Mr.

Mr. Levis, of the Clyde Line, or any of the traffic officers of the railroads.

The CHAIRMAN. Mr. Warfield and Mr. Groves were both before the committee. One has a line out from Philadelphia and the other out of Baltimore. Both applied for admission to one or the other of these traffic associations, and admission was refused, and it developed that no other line than those in the association could be admitted except by unanimous consent. In Mr. Groves's instance his statement was to the effect that the Rock Island and the Frisco roads were very anxious he should be admitted to the association, but that the Southern Pacific and the water lines that were in competition, stoutly refused him admission. Do you think that is fair treatment?

Do you think that is in the interest of the public?

Mr. RAYMOND. I can not see wherein it could be against the interest of the public. But I do not think we were guilty. I do not see why anyone should come into an association, not admitting—let me correct that. I do not see why anyone should come into an agency that has been created by the several lines in the interest of the public, as well as in the interest of economy for those lines, and in deference to the wishes of the commission where the tariffs could be issued as a common one covering the various lines, and where the compilation, which was the real expense of that tariff in its origin, goes into many and many thousands of dollars—I do not see why an outsider, if you want to use that word, should come in and get the benefit of all of those years of expenses that we have had paid, without contributing his share.

The CHAIRMAN. I understood from Mr. Groves and from Mr. Warfield, both, that they were quite willing to contribute their share to the expenses.

Mr. RAYMOND. From then on, but not prior to that, when all this work has been done.

The CHAIRMAN. But it was such a very large expense that no one could afford to incur it all.

Mr. RAYMOND. Mr. Chairman, I have in mind one tariff through one port, where the labor on it alone exceeded \$7,500. It was easily printed at \$1.25 a page by the tariff printers. These gentlemen come in and those tariffs might cost \$1.50 or \$1.75 apiece. They want to have them—I do not say they would, but that would be the inference—they want those tariffs, their names on them, and to use those tariffs that have cost thousands of dollars to put in the shape they are to-day.

The CHAIRMAN. I understood them to say that if they cost \$25,000 they were willing to pay their pro rata share of the cost, not for the printing alone, but for the preparation and printing.

Mr. RAYMOND. I can not answer that, Mr. Chairman. I question though, that they ever offered any such thing.

The CHAIRMAN. That is as I understood their statement here, and the Rock Island and the Frisco, in Mr. Groves's instance, were quite anxious they should be admitted to the association; but as it required unanimous consent, they were not admitted.

Mr. RAYMOND. While willing to answer all questions in connection with our own companies, and anything else that I know, I would prefer not to speak of other companies, for I have not any knowledge

of their acts. But speaking for the Mallory Line, we did not oppose Mr. Groves's membership in that association.

The CHAIRMAN. Of course we understood also, as I recall, from Mr. Groves that the Mallory Line was one of the objectors.

Mr. RAYMOND. Mr. Groves is mistaken, as he has been in some other statements he made.

Mr. WILSON. How long is it since those tariffs were originally compiled?

Mr. RAYMOND. I could not answer that accurately.

Mr. WILSON. A number of years?

Mr. RAYMOND. A number of years; yes, sir.

Mr. WILSON. The great cost of compilation is in the original cost of compilation, is it not?

Mr. RAYMOND. Yes, sir.

Mr. WILSON. The changes are immaterial so far as cost is concerned, are they not?

Mr. RAYMOND. Except the organization that is maintained at all times to keep up that clerical work.

Mr. WILSON. But so far as the expense of the preparation of changes is concerned, that is very small. The cost of preparation is in the cost of the original tariff, is it not?

Mr. RAYMOND. In the original tariff.

Mr. WILSON. And the companies who have been parties to the conference have had the benefit of that compilation or preparation for a number of years?

Mr. RAYMOND. Yes, sir.

Mr. WILSON. Dividing the original cost of compilation over that number of years it would reduce the cost per annum very materially, would it not?

Mr. RAYMOND. If you write off so much of the original cost each year; yes, sir.

Mr. WILSON. So that the parties going into the conference now and not having had the benefit of it during that period of time could scarcely be expected to pay as much or as great a proportion as those who originally went in, could they?

Mr. RAYMOND. I should say that would be fair.

The CHAIRMAN. Was Mr. Warfield the agent of the Mallory Line at the time Mr. Groves made application for admission to the South-western Freight Traffic Bureau?

Mr. RAYMOND. I could not answer that, Mr. Chairman. He was freight-traffic manager of the Mallory Line up until about a little over two years ago.

The CHAIRMAN. We understood he was the agent of the line at that time and that he did cast his ballot against the admission of Mr. Groves.

Mr. RAYMOND. That I can not answer.

The CHAIRMAN. I do not remember whether he stated that in the record or not, but I understand that is the fact.

Mr. HARDY. Would not the question of proportion enter into the situation very largely; and if Mr. Groves, for instance, only paid in proportion to his using of those rate sheets, or published rates, would not his part be a very small proportional part of the cost?

Mr. RAYMOND. Those are questions that I could hardly answer. I perfectly willing to go on record and say that such agents as we

might have employed for our benefit we would oppose being used by somebody who comes there with an effort to destroy us.

Mr. HARDY. The point I am getting at—even if your contention is right and if he should pay not what Mr. Wilson suggests but pay his proportional part of the original cost—it would be very small, considering the amount of business he does and the amount of business the other parties do.

Mr. RAYMOND. Well, I really can not see the connection with this subject of their tariff.

Mr. HARDY. I will tell you the connection, and it is not technical: Your competitor, if he wants to get the benefit of the prorating with the railroad, must go to an expense that is prohibitive, and he is cut out from prorating with the railroad, while you are not.

Mr. HUMPHREY. Is this association a private affair?

Mr. RAYMOND. Yes, sir.

Mr. HUMPHREY. Gotten up by whom?

Mr. RAYMOND. Gotten up at the suggestion of the commission by the lines which operate to the various points, so that they might file one common tariff and not burden their files and all other files with an excessive number of tariffs.

Mr. HARDY. Then I want to know if the commission authorized any number of water carriers to get together and form an exclusive association for the publishing of these rates?

Mr. RAYMOND. Not to my knowledge.

Mr. HARDY. It seems to me that under the very authorization of the commission a lot of big companies getting together to share this big expense would necessarily shut out the smaller carriers from participating in the advantages of the published rate, or in publishing the rate, because they can not bear the burden alone. Is not that true?

Mr. RAYMOND. I do not know that I follow you, Mr. Hardy, and those are your conclusions and not mine.

Mr. HARDY. I did not say they were, unless you accept them. If you have five companies, four big and one little one, and under the direction of the commission your four big companies together go to the expense of publishing their rates and creating jointly an expense that would be prohibitive upon this one company, and if you shut him out and do not let him come in and participate in his share of the expenses, by that very act do you not exclude him from participating?

Mr. RAYMOND. There is one correction I would make in your conclusion, and that is you refer to the direction of the commission. The commission did not direct but, as I understand it, they consented to the tariffs being printed in that manner.

Mr. HARDY. I understood you to say they suggested it to you.

Mr. RAYMOND. That is my understanding, but I do not want to be understood as stating that as a fact.

Mr. HARDY. I am not sticking to the very words, but I mean it was practically at the intimation or with the consent or at the direction of the commission, or whatever you term it.

Mr. RAYMOND. I do not believe, when it comes to the question of competition, that there is a single line that would object to Mr. Groves or Mr. Warfield or anybody else coming into this conference and participating in the expense of these tariffs, provided they did

it in an orderly way and maintained the rates that were current and did not come with the intention of destroying those rates.

Mr. HARDY. You would insist as a preliminary to their being allowed to come in that they would agree not to disturb the rates?

Mr. RAYMOND. I would not insist, but I would not expect a man to ask something of me if he was not going to give something in return.

Mr. HARDY. You mean by that all who are in that association have an understanding?

Mr. RAYMOND. I do not mean that the rates are not reasonable; I have never said that.

Mr. HARDY. If you do not have an understanding as between yourselves, why do you think Mr. Groves ought to be required to maintain those rates?

Mr. RAYMOND. Experience teaches us what is going to happen.

Mr. HARDY. You do not like what he is doing?

Mr. RAYMOND. No, sir.

Mr. HUMPHREY. In other words, you are not willing to have too many getting in?

Mr. RAYMOND. No, sir.

Mr. HARDY. But you do not make any agreement among yourselves to see that you yourselves are all friends?

Mr. RAYMOND. That has been denied many, many times, and is denied again.

Mr. HARDY. I would like to know, waiving technicalities, just in a general, broad, common-sense view, what you have your conference for if it is not to consider mutual interests and reach mutual understandings?

Mr. RAYMOND. I can truthfully say I have not been in a conference of rates in 10 years, probably.

Mr. HARDY. But you know your company has, and you know the purpose of that conference, do you not?

Mr. RAYMOND. The particular nature of our business as competitors of the domestic rail lines, our business being between domestic cities, as it were, subject to the Government regulations, the rules and regulations of the Interstate Commerce Commission, we must of necessity follow—

Mr. HARDY. I do not say it is right or wrong for you to have a conference or make an agreement, but I just want to get at the fact of these port-to-port rates being the same and the fact that you have a conference, and to ask, What do you have a conference for if it is not to see they are the same?

Mr. RAYMOND. I undertook to answer that question a little while ago to the chairman, and I can not say any more now than I did then.

Mr. HARDY. I understood you to say you had a man who published those rates?

Mr. RAYMOND. Yes; an agent.

The CHAIRMAN. This is not port-to-port traffic, as I understand; it is joint rates, rail and water.

Mr. RAYMOND. Yes, sir; that is right.

The CHAIRMAN. A company that comes into the business or undertakes to enter the trade from New York to Galveston without the benefit of these tariffs or rail and water rates, would be at a decided

disadvantage, would it not, with a company that is in the bureau and in possession of these rail and water rates. In other words, he would not have the information?

Mr. RAYMOND. Yes, sir; he would.

The CHAIRMAN. There would be that disadvantage?

Mr. RAYMOND. No, sir; I can not admit that, Mr. Chairman. We have not any exclusive arrangements with Texas railroads.

Mr. HARDY. I think the chairman misapprehended the situation. They have no advantage of rates; they do not keep these rates secret, or anything of that kind.

Mr. RAYMOND. On the contrary, they file them with the commission.

Mr. HARDY. They can get the information of what the rates are.

Mr. RAYMOND. Yes, sir.

Mr. HARDY. But the point, as I understand it, is that they are not allowed to pro rate with the railroads, with those through bills of lading, unless they publish rates also. Is not that true?

Mr. RAYMOND. Mr. Hardy, the lines I represent have not anything to do with that.

Mr. HARDY. I know; but as a matter of fact, when you get these published rates you have a certain pro rate with the railroads for these through bills of lading; you get a certain amount for the water haul and they get a certain amount for the rail haul.

Mr. RAYMOND. That is quite correct.

Mr. HARDY. But when any companies which have not published rates come into the field, the local rates are charged them by the railroads. Is not that true?

Mr. RAYMOND. I do not know what rate is charged them.

Mr. HARDY. You get a pro rate with the railroads by publishing rates for joint traffic business.

Mr. RAYMOND. On through business in the matter of the railroads in connection with another water carrier, that is a matter between that water carrier and the railroad. It should not involve us.

Mr. HARDY. When you get your published rates, under the law they are compelled to pro rate the whole through rate with you, are they not? So much comes to you and so much to them?

Mr. RAYMOND. I do not know of any compulsion on the part of the railroads to pro rate with anybody if they do not desire to do so.

Mr. HARDY. Under the ruling of the Interstate Commerce Commission, when you give a through rate for a bill of lading that is part rail and part water, the railroad and you prorate the whole business, do you not?

Mr. RAYMOND. That rate may be a combination of two locals.

Mr. HARDY. Do you not, as a matter of fact, have a prorating arrangement?

Mr. RAYMOND. I am not trying to muddy the waters at all. If I exactly know what you want, I will answer it frankly. We have a prorating arrangement with the railroads; yes; contracts or arrangements which are on file with the commission.

Mr. HARDY. That is exactly what I want to know. Now, a railroad that has not those published rates simply has to charge the water-haul rate and then to pay the local rate to the railroads?

Mr. RAYMOND. That would be the case.

Mr. HARDY. Take Mr. Groves's case. His water haul being independent and there being no published through rates by him, he has to pay the local rate at both ends of the water route and then get what is left for the water haul. Is not that the situation?

Mr. RAYMOND. As you put it, it would be.

Mr. HARDY. Is not that the trouble when you have a through-rate agreement—granting it is perfectly legal, and I am not saying it is not?

Mr. RAYMOND. Mr. Groves gets a less rate at Philadelphia on the Pennsylvania business than the Mallory Line does on the New York business originating at the same points.

Mr. HARDY. That is not fair to you, is it?

Mr. RAYMOND. I do not see why it is not.

Mr. HARDY. You think that is perfectly fair?

Mr. RAYMOND. If we are in New York and he is in Philadelphia. I do not see why it is not.

Mr. HARDY. I am talking about the same haul. If he uses the same railroads you do without any published bill of lading, he has to pay more for the railroad service, does he not?

Mr. RAYMOND. Not to my knowledge; no, sir.

Mr. WILSON. Would not the through rate be the local rate from inland points to New York plus his rate by water and plus the railroad's rate from the port in Texas to the inland points—the local rate? Would not that be his through rate?

Mr. RAYMOND. Yes, sir.

Mr. WILSON. While your through rate filed with the commission would be a prorate from the point of origin at internal points through to destination in Texas?

Mr. RAYMOND. No; it would not.

Mr. WILSON. Would you not prorate, and have you not on file tariffs showing a prorating of the tariffs from point of origin at internal points from New York through to internal Texas points?

Mr. RAYMOND. The revenue south of New York is divided after deducting the revenue that accrues to the lines from the eastern interior points to seaboard.

Mr. WILSON. Is not the prorate that goes to the railroads at both points less than the local rate that comes to the railroads?

Mr. RAYMOND. No, sir; it is not. It may be in the southern end, but it is not on the northern end.

Mr. WILSON. The local rate, say Buffalo to New York, is identical with the rate that is allowed in the through-tariff schedule from Buffalo to New York?

Mr. RAYMOND. Yes, sir; it certainly is, unless there are prorating arrangements of which I have no knowledge.

Mr. HARDY. Then, what advantage have you over Mr. Groves in through rates, by reason of your having published rates and he not having published rates?

Mr. RAYMOND. We never have any competition with Mr. Groves, Mr. Hardy, that I know of.

Mr. HARDY. The complaint of Mr. Groves and everybody else is that not having published through rates, he is unable to get advantage of the prorating and that is a great burden which he has to carry and your carriers do not. I do not know whether it is or not, and that is what I want to ascertain.

Mr. RAYMOND. My answer is that it is not true and can not be true. What has the arrangement to publish through rates to do with Mr. Groves?

The CHAIRMAN. You mean to say that without publishing and filing them with the Interstate Commerce Commission he will be entitled to the same prorate for the water haul that you will be?

Mr. RAYMOND. None of our lines has ever been where Mr. Groves is operating. I do not know the conditions at New Orleans.

Mr. HARDY. Did you hear Mr. Haines's testimony?

Mr. RAYMOND. This morning; yes.

The CHAIRMAN. Would a man or company not in this traffic association, not having published through rates and filed them with the Interstate Commerce Commission, get the same proportion of the through rate as those in this traffic association?

Mr. RAYMOND. Sometimes they would get as much, and at other times they would get more.

The CHAIRMAN. Give us an instance where they would get more.

Mr. RAYMOND. The local rate from New York to Galveston, for instance, is more than the proportion of the through rate would be from the same point in New York to, say, the interior of Texas.

The CHAIRMAN. The local rate, port-to-port rate, is greater than the rate from the interior point to New York plus the water rate from New York through Galveston?

Mr. RAYMOND. Yes; on account of—

The CHAIRMAN. Would that be borne out by your tariffs filed with the Interstate Commerce Commission?

Mr. RAYMOND. There are lots of rates in effect, what they term Texas commission rates, from the port to interior points, that are lower than our proportion of the through rate. The result is that the Texas consignees to-day use the haul from the eastern seaport to Galveston and consign their business to a forwarding agent and re-ship to reduce the through rate. A few years ago our through business was 70 per cent and the local 30. To-day, what goes to the port billed through probably does not exceed 30 per cent; and that billed locally is 70 per cent. The commission have objected to that, and the Interstate Commerce Commission in their opinion No. 1975, to quote from it, in the case of the Denver Consumers and Shippers' Association against the Colorado & Southern Railway Co., say:

The hardship which the present adjustment of rates imposes upon central Oklahoma points has been strongly urged upon the attention of the commission in this proceeding. The Texas commission establishes rates upon a mileage basis up to a certain distance, beyond which the rate applies as a blanket to all Texas common points. Thus, the first-class rate from Galveston for a distance of approximately 300 miles is 87 cents and this same rate applies to the northern border of Texas, a distance of 450 miles. This gives the distributing cities in the north of Texas, which wholesale in competition with Oklahoma points, a distinctly lower rate from the Atlantic seaboard than Oklahoma enjoys, and undoubtedly results in a decided advantage to Texas jobbing centers in case of articles purchased upon the Atlantic seaboard.

But this discrimination is one which this commission is powerless to remedy. The Texas rates are a matter of domestic concern over which we exercise no control. The so-called discrimination results not from the Texas rates, but from the fact that under the decision of the Supreme Court of the United States the shipper, by taking possession of his traffic at Galveston, can obtain the benefit of the water rate to Galveston and the rail rate from Galveston, although the shipment is, in point of fact, an interstate movement. If the

results which flow from this holding are not satisfactory Congress may wish to provide that a movement which is interstate in fact shall not be converted into two local movements by an intervening possession.

Mr. HARDY. If I understand that situation, it simply means this: Under the rates prescribed by the Texas commission, as compared with the rates allowed by the Interstate Commerce Commission, on goods carried from Galveston to Oklahoma in the last case and on goods carried from Galveston to, say, Denison, Tex., the Texas commission controlling the Denison rate and the Interstate Commerce Commission controlling the Oklahoma rate, the railroads have fixed the Oklahoma rate much greater than the Denison rate; and the through rate being applied on the through bill of lading, which is interstate business, the shipper can sometimes save money by shipping to Galveston and having an agent take possession there and then reship and pay the local rate from Galveston? Is that your position?

Mr. RAYMOND. That is precisely the position Mr. Groves was in. It is an advantage over the regular lines on through business if he operated his line from Philadelphia to Galveston or any Texas point.

Mr. HARDY. That is the position which you say would sometimes be open to him?

Mr. RAYMOND. It happens to us over 40 per cent more than is used to.

Mr. HARDY. That is just the want of a little foresight in the shippers not having their goods transshipped.

Mr. RAYMOND. I do not agree with you. I think all through loadings and all rates ought to be reasonable and fair, but there is not any reason in the world why a company should be taxed with the large expenses at terminals or should give to you, because you happen to have a larger business than your neighbor, an opportunity to ship carload goods from Galveston to the interior on the Texas commission rate that does not have any application to the classification outside.

Mr. HARDY. That strikes you on a very sensitive chord. But suppose it was the other way; you would be engaged in a business for which your competitor did not have to pay as much as you for railway transportation?

Mr. RAYMOND. That condition does not exist in Texas.

Mr. HARDY. They claim it does, at a whole lot of places. I do not know about Texas, but I am inclined to think that it does in Texas too. Texas has a situation on a mileage basis, and after it gets over 300 miles the whole balance is covered by a blanket rate, and it may be they would get a cheaper local rate if they went to the extreme limit of that blanket area; but all down nearer the seaboard their local rate would be higher than the through rate. So that you might get the worst of it on the Denison situation and Groves get the worst of it everywhere else. That is the way it strikes me, but it may be that is not correct.

Mr. RAYMOND. As I stated before, I am not familiar enough with the local conditions at places like Denison, Houston, or any other points to answer.

Mr. HARDY. I will say the Red River, then.

Mr. RAYMOND. But the facts are these: That business is moving to-day, and has moved during the demoralization on a basis where

the steamship companies have not enjoyed a remunerative rate. In the answers filed before this committee you will see that the Mallory Line, up to the time the report was made, had not declared a dividend. The Interstate Commerce Commission should be empowered with authority to make a through rate from point of origin to point of destination, if that business is moving interstate, and the said through rate should not be defeated by a combination or permit possession of the freight at the port.

Mr. HARDY. Then, should not the Interstate Commerce Commission prescribe the same rates for all shippers, whether you or Mr. Groves?

Mr. RAYMOND. Absolutely; that is true.

Mr. HARDY. Do you not know as a matter of fact that if your shipment went to Galveston and then had a short run up from Galveston, say, a hundred miles, your through rate would be cheaper than the water rate and the local rate added?

Mr. RAYMOND. I do not know that; no, sir.

Mr. HARDY. If it is so, it is not right, is it?

Mr. RAYMOND. I do not know as I understand you, Mr. Hardy.

Mr. HARDY. You seemed to understand my question.

Mr. RAYMOND. What is your question?

Mr. HARDY. The stenographer can read it.

(The stenographer read the question referred to, as follows:)

Mr. HARDY. Do you not know, as a matter of fact, that if your shipment went to Galveston and then had a short run up from Galveston, say a hundred miles, your through rate would be cheaper than the water rate and the local rate added?

Mr. RAYMOND. No. It is my understanding that the Texas rates are all made on the combination of 85 cents, first class, to the ports—I may be wrong on the figures; it may be 75—plus the local rate from the port up. Now, anybody that scalps that rate from the eastern port to the port of Galveston reduces the rate just that much.

Mr. HARDY. Your understanding is that the through rate is less than the local rate?

Mr. RAYMOND. My understanding is just the opposite.

Mr. HARDY. That the through rate is greater than the local?

Mr. RAYMOND. That this through rate is higher than the combination of locals.

Mr. HARDY. I think your understanding is absolutely wrong.

Mr. RAYMOND. It is a matter of information. They have all been furnished the rates.

Mr. HARDY. I think you are wrong on that, entirely.

Mr. RAYMOND. No, sir.

Mr. HARDY. You may be right when it comes to longer distances—going to the Red River, because you have a wide jump—in the blanket rates fixed by the Texas commission.

The CHAIRMAN. I understand you to say that your port-to-port business has increased and your through business has diminished.

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. By reason of that condition?

Mr. RAYMOND. By reason of that condition, which should not exist.

The CHAIRMAN. Formerly your through business embraced about 60 or 65 per cent of your total business.

Mr. RAYMOND. I think you could easily go as high as 70 per cent.
Mr. Chairman.

The CHAIRMAN. And now the through business is about 30 per cent of the total?

Mr. RAYMOND. That is right, sir.

Mr. WILSON. I understood you to say that the rate to Galveston from Texas points was 75 or 85 cents, that being the proportion of the through rate. What is the local rate?

Mr. RAYMOND. I should say 75 cents is the first-class rate, and then it scales down to 25, I think, on commodities.

Mr. WILSON. Take the first-class rate; what is the local rate?

The CHAIRMAN. That is the water rate he is talking about. You are talking of the water rate?

Mr. RAYMOND. Of the water rate? Yes. I am speaking of the water rate. Just why that condition should exist in Texas we do not understand. I have listened with interest to Mr. Haines and to the other gentleman who followed him. We, nor any other line to my knowledge, were not responsible for them losing their \$4,000 to Beaumont. Every port in Texas, regardless of its size or the depth of water it has, is after a direct steamship line. Each one of these gentlemen, representing the associations that they do, have appealed to the established lines to give them a service. The established lines know that the service would not be remunerative, and they do not give it to them, because they serve them through one gateway, which is natural. Then they come along with these tramp vessels. It is local, domestic jealousy that exists down in that section of the country, one port against the other.

Mr. HARDY. Do you say Mr. L'Hommiedieu is mistaken when he says this company was organized and began cutting rates from Baltimore to Port Arthur?

Mr. RAYMOND. His statement is that the organization of the Gulf Steamship Co. was effected by the Southern Pacific Railroad, and then the Gulf Steamship Line chartered the *El Monte* from the Mallory Line. If all the rest of his statement is as correct as that—

Mr. HARDY. Do you deny those statements?

Mr. RAYMOND. The *El Monte* was never owned by the Mallory Line.

Mr. HARDY. Who organized the Gulf Steamship Co.?

Mr. RAYMOND. I have not any knowledge how it was organized. It is as much a competitor against us, if such an organization exists as against anybody else.

Mr. HARDY. You heard his statement right here before the committee, that they made no secret of it that they were going to run him out, and why should a company rise up in the daytime or in the night time to run out a new enterprise if it was not connected with some of you?

Mr. RAYMOND. I would answer that question, Mr. Hardy, by suggesting that you ask the gentleman who made that answer.

Mr. HARDY. If it is true you did not put in the boats there. I do not think there is any doubt that somebody did and reduced the rates to 15 cents; and who could have had any interest in doing that except the established lines?

Mr. RAYMOND. The jobber wants to get the rate as low as he can, and he might put a boat there against him.

Mr. HARDY. Do you think a jobber who had stood your 35-cent rate would go in and cut the throat of a man who was giving a 25-cent rate and drive that man off of the ocean? This is a matter of common sense addressed to the committee, and I want to get your full idea and your views.

Mr. RAYMOND. Yes, Mr. Hardy; but you are only seeing it in one way. If you do see it in two ways you do not show it.

Mr. HARDY. I am simply trying to get your view.

Mr. RAYMOND. In the first place, you take the statement that 35 cents is the rate on canned goods as a fact.

Mr. HARDY. It has not been denied.

Mr. RAYMOND. I am denying it now.

Mr. HARDY. What was the rate when shipped around to Galveston and around to Beaumont?

Mr. RAYMOND. Twenty-five cents. The Beaumont people came to me as an executive officer of the Mallory Line, believing I might be associated with some other lines, and asked me if we would not give them a ship. They wanted a ship to go to Port Arthur, because, as they stated, the rate was lower from Port Arthur to Beaumont than it was from Galveston to Beaumont, and they did not want their business to go through Galveston. Although they are willing to live in the same State they are not willing to have their business go through the same port.

Mr. HARDY. What motive did those gentlemen have for coming here and telling us the rate on canned goods was 35 cents when you say it is 25 cents? Have you any definite knowledge of that rate?

Mr. RAYMOND. I certainly have. It was 25 cents. This is the first time I have seen that gentleman, and I am not impugning his motives; I simply say he is mistaken.

Mr. HARDY. Then 25 cents, and he was getting 20 cents. Who would have any object in coming in there and reducing the rate, in order to prevent him getting a cargo, to 15 cents?

Mr. RAYMOND. Nobody except the established lines, undoubtedly.

Mr. HARDY. And yours are the only established lines, are they not?

Mr. RAYMOND. Yes, sir; part of them.

Mr. HARDY. Then, to tell the truth, your lines must have done it?

Mr. RAYMOND. No, sir; we did not do that either; we did not go there at all.

Mr. HARDY. Yours is one of the established lines; there are only two of them?

Mr. RAYMOND. If you want me to admit—

Mr. WILSON. Have you any knowledge of who did go in there at that time?

Mr. RAYMOND. He testified the Gulf Steamship Co.

Mr. WILSON. I am asking if you have any knowledge?

Mr. RAYMOND. I do not think any one went there, Mr. Wilson.

Mr. HARDY. You thing that boat is an imaginary boat?

Mr. RAYMOND. If she cleared for Port Arthur, she has never arrived there.

The CHAIRMAN. If I understand his statements, he chartered this ship at New York and had it go around to Baltimore for canned goods for Port Arthur, and I think he got about 70,000 cases of canned goods, and the ship would carry about 130,000. That an op-

position line, whatever it was, got busy and cut the rate to 15 cents from Baltimore to Port Arthur, and put in a ship and took the freight away from him. He said, however, that that was the Gulf Steamship Co. Was not that your understanding of what he said?

Mr. RAYMOND. That was my understanding; yes, sir. I think he is mistaken in this respect: That the Gulf Steamship Co. did not send a steamer to Port Arthur, but did send one from Baltimore to Galveston.

Assume he called it the Standard Steamship Co. They went in and reduced the rate from 25 cents to 20. What objection could there be by the Standard Steamship Co., regardless of ownership, if it disturbed conditions which when it went in had not been disturbed before, if the previous rate in effect was a reasonable rate—what objection should that company have to another company lowering the rate, they having disturbed it in the first instance?

The CHAIRMAN. His reason was this—that the 25-cent rate was an unreasonable rate and the 20-cent rate would be a remunerative rate to the carrier, and they established that rate; and just as soon as they did that the Gulf Steamship Co. cut the rate to 15 cents, which was not a remunerative rate. Of course it is apparent the reason the rate was cut to 15 cents was to drive him out of the business, and we have the return made by the Gulf Steamship Co. which shows that its capital stock is \$100,000, of which \$99,500 belongs to the Southern Pacific Co., and was acquired November 7, 1912.

Mr. HARDY. I do not think, Mr. Chairman, that he said that that boat did go to Port Arthur. Maybe he said it went to Galveston, but it gave through bills of lading to Beaumont for this fruit at 15 cents. It may have gone to Galveston. You may not be in conflict with him about that.

The CHAIRMAN. But the purpose of putting the boat in there is not open to argument. Mr. Warfield himself, expecting to control that traffic in canned goods from Baltimore to Galveston, made a 20-cent rate, and other ships were put in by the Gulf Steamship Co. to take that traffic away from him; and the testimony is to the effect that the Gulf Steamship Co. was organized to employ ships as fighting ships against any company that might interfere with the trade of the regular established lines.

Mr. RAYMOND. Purely an assumption, however, Mr. Chairman.

The CHAIRMAN. Well, the circumstances are very strong in support of his contention.

Has the Mallory line any affiliation or connection with the Gulf Steamship Co.?

Mr. RAYMOND. None whatever.

The CHAIRMAN. Of course, Mr. Groves's testimony also was to the effect that other methods were employed by the Southern Pacific Steamship line to drive him out of the business. They went so far as to bribe employees of his to give them copies of his manifests. He testified to that fact before the committee.

Mr. RAYMOND. There was no such evidence as that against any of the companies that I may represent.

The CHAIRMAN. I say that was the Southern Pacific Line.

Mr. RAYMOND. I really question that.

The CHAIRMAN. Mr. Spence, the agent in New York, is the agent who was responsible for that condition there, and also their agent

in Philadelphia—his name was Mr. Smith, I believe—was guilty of that practice. He produced here before the committee the money that was paid from time to time for those manifests, and we have the money in our possession now.

Mr. RAYMOND. Of course, Mr. Chairman, you could not expect me to answer those questions for another company which I do not know anything about.

The CHAIRMAN. Oh, no. I believe you said your relations with the Morgan lines are amicable; so far as your rates are concerned, they are uniform, and you get along in perfect harmony.

Mr. RAYMOND. We are about as aggressive competitors as you can find anywhere. You can compare us with the lines from here to New York, the Pennsylvania and the B. & O., and I guess we are more so, because there may be some stock interest there that I do not know anything about. There is not with us.

Mr. HARDY. Since the rates have been made uniform the competition still exists, so the railroads say, but it is only with reference to superior facilities.

Mr. RAYMOND. Mr. Hardy, the rates always have been uniform and always will be.

Mr. HARDY. I knew a time when the cattle rates from my home State to Chicago were uniform in a way, but there were rebates and all sorts of advantages given by one railroad over another that destroyed all uniformity.

Mr. RAYMOND. I meant uniform so far as the published tariffs show. But at that time there were rebates which to-day are illegal, and I do not believe that you or any other member on this committee think there is any rebating to-day.

Mr. HARDY. I am just trying to get at the facts.

(Thereupon, at 4.40 o'clock p. m., the committee adjourned until to-morrow, Saturday, February 15, 1913, at 10.30 o'clock a. m.)

SATURDAY, FEBRUARY 15, 1913.

The committee met at 10.30 a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Thayer, and Humphrey.

The chairman offered for the record a letter from the Italian Chamber of Commerce, New York, of date February 10, 1913, together with resolutions adopted by the board of directors of the Italian Chamber of Commerce of New York, which were numbered by the stenographer Exhibit No. 112 and Exhibit No. 113, respectively, and are as follows:

EXHIBIT No. 112.

[Incorporated 1887. To promote trade between the United States and Italy.]

CAMERA DI COMMERCIO ITALIANA
(ITALIAN CHAMBER OF COMMERCE).

203 Broadway, New York, February 10, 1913.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,

House of Representatives, Washington, D. C.

GENTLEMEN: At a meeting of leading merchants interested in the Italian-American trade, a protest was made against the recent increase in ocean freight

rates, and such protest having been brought to the attention of this chamber, it was decided by the latter to appoint a special committee on ocean freight rates for the purpose of investigating and reporting upon this important matter. The findings of the said committee are embodied in the resolutions, copy of which is inclosed herewith.

From these resolutions you will see that the question of freight rates covers a much wider field than could at first be supposed. In fact, the committee appointed by this chamber found that several other questions are directly connected with the increase in freight rates, and decided that it was necessary to protest not only against such increase, but also against a certain discriminating practice in granting commissions and rebates, which is unlawful in the United States, while condemning the manner in which the service is operated by the steamship companies.

The board of directors of this chamber has indorsed the resolutions of its special committee, and respectfully request that you give this important matter your earnest consideration.

Respectfully,

ITALIAN CHAMBER OF COMMERCE IN NEW YORK,
ACHILLE STARACE, *Vice President*.

EXHIBIT No. 113.

CAMERA DI COMMERCIO ITALIANA.

203 Broadway, New York, January 21, 1913.

To the Board of Directors of the Italian Chamber of Commerce, New York.

DEAR SIRS: The undersigned committee on ocean freight rates appointed by your board for the purpose of studying the ways and means to end the present unsatisfactory conditions in freight rates, after giving earnest considerations to this matter and other deficiencies in the steamship service, as are directly connected with the question of cost of transportation, at the meeting of January 21, 1913, unanimously adopted the following resolutions:

(1) In the question of freight rates:

Whereas from November 1, 1912, all freight rates to and from the United States have been uniformly raised by all steamship lines to an extent ranging from 20 per cent to 40 per cent over the rates which went into effect on January 1, 1912; and

Whereas on January 1, 1912, a substantial increase had already taken place over the rates in force the previous year; and

Whereas it appears that the steamship companies have arbitrarily increased their rates of freight without giving due notice to the trade, thus causing enormous losses to importers on contracts for future deliveries as were based upon the rates of freights in force at the time of making such contracts previous to the said increase; and

Whereas such new increase tends to work enormous damage to the general trade and enhances the cost of certain necessities of life for the consumer; and

Whereas it is not believed that the said companies would be able to prove to the satisfaction of unbiased parties that such increases are justified by increase in the cost of operating their own steamers; and

(2) In the question of commissions and rebates:

Whereas it appears that on the 1st of January, 1912, when the first increase took effect, the steamship companies entered into separate agreements with ship brokers, freight agents, etc., abroad, by which the companies were to pay them a commission of 3 per cent on the freight and to refund to them, at certain dates, the 10 per cent primage charged, which action constitutes payment of rebates, such agreement remaining in force also after the new increase in rates of freight took place last November; and

Whereas it appears that even for many years previous to the first increase in rates as mentioned herein, viz, January 1, 1912, when rates were about 50 per cent lower than they are now, it has been the custom of the steamship companies to pay certain parties a more or less substantial rebate on west-bound freight; and

Whereas these discriminations on the part of the companies in favor of ship brokers, freight agents, and certain other parties abroad are contrary to that equitable treatment which all shippers and consignees are entitled to receive; and

Whereas the uniform advance in rates and the establishment of the system of commissions and rebates would tend to show that a combine exists among the steamship companies, undoubtedly to the detriment of the general trade; and
 (3) In the matter of general service:

Whereas, notwithstanding such enormous increase in rates of freight and the consequent higher profits for the steamship companies, the service given by the latter continues to be as unsatisfactory as it ever was, goods are not handled with proper care, and claims are not given the consideration they should receive, while the amount of tonnage in line is insufficient to meet the requirements of shippers and consignees, and sailings are kept on a very irregular schedule; and

Whereas all and each of the inconveniences, as are complained of above, actually add to the cost of transportation paid by the shippers or the consignees; and

(4) In the matter of relations between merchants and lines:

Whereas it is to the advantage, both of the trade and the transportation interests, that the most friendly feelings should exist between merchants and steamship companies; and

Whereas, to promote such friendly feelings, it is necessary that the merchants obtain their equitable rights, the final results of which will be beneficial not only to the merchants but also to the steamship companies, through the increase in trade brought about by improved conditions, just concessions, and facilities;

Resolved, (1) That this committee recommends that a protest be made against the unjustifiable increase in freight rates enforced by the steamship companies and asks that it be revoked;

(2) That the discriminate granting of special commissions and rebates be discontinued and uniform net rates established, and the importers on this side, who actually pay the freight, be given the privilege of closing their freight contracts here, if they so choose;

(3) That a more regular schedule of sailings be established, better care given to the handling of goods, and claims equitably and promptly settled;

Resolved, further, That this Italian Chamber of Commerce make these resolutions known to the trade in general, to the proper authorities, firms, and persons interested in the foreign trade of the United States, in this country and in Europe, for the purpose of securing the support necessary to obtain a remedy of the conditions set forth herein, and that steps be taken to obtain the indorsement of these resolutions from other chambers of commerce and trade associations.

For the committee:

G. VITELLI, *Secretary*.

TESTIMONY OF MR. H. H. RAYMOND—Resumed.

The CHAIRMAN. As I understood from you, Mr. Raymond, your companies, the Mallory and the Clyde Lines, have no interest in the Gulf Steamship Co.?

Mr. RAYMOND. That is correct; yes, sir.

The CHAIRMAN. And if that company is organized to operate fighting ships, you have no interest in the fighting ships?

Mr. RAYMOND. No, sir; we have not. Mr. Chairman, before we proceed, if you want the names of those associations we are members of I could read them from the record I have here now.

The CHAIRMAN. Very well.

Mr. RAYMOND. For the Clyde Co. [reading]:

The Southern Classification Committee, W. R. Poe, chairman, Atlanta; Southeastern Freight Association, E. H. Hinton, chairman, Atlanta; Southern Weighing and Inspection Bureau, H. W. Wolf, chairman, Atlanta; Bureau of Explosives and Other Dangerous Articles, Col. B. W. Dunn, chief inspector, New York; Coastwise Steamship Freight Conference, W. L. Woodrow, chairman, New York; Seaboard, Colorado and Utah Committee, S. M. Stevenson, chairman, New York; Freight Claim Association, W. P. Taylor, secretary, Richmond; American Steamship Association, H. H. Raymond, president, New York; New York and Philadelphia Freight Committee, G. H. Cobb, chairman,

New York; Virginia Freight Traffic Association, E. D. Hodgkiss, president, Richmond; Associated Railways, W. H. Fitzgerald, commissioner, Virginia.

And for the Mallory Line:

Coastwise Steamship Freight Conference, W. L. Woodrow, chairman, New York; Seaboard, Colorado and Utah Committee, S. M. Stevenson, chairman, New York; Seaboard Texas Committee, B. H. Combs, chairman, New York; Freight Claim Association, W. P. Taylor, secretary, Richmond; Southwestern Tariff Committee, F. A. Leland, chairman, St. Louis; Bureau of Explosives and Other Dangerous Articles, Col. B. W. Dunn, chief inspector, New York; Southern Weighing and Inspection Bureau, H. W. Wolf, chairman, Atlanta; American Steamship Association, H. H. Raymond, president, New York.

Mr. HARDY. Does that involve all the railroads and railroad agencies practically that there are in that section of the country—southwest and the seaboard?

Mr. RAYMOND. Some of them, Judge, are associations that assemble and distribute the information for various roads—those large ones headed by the chairman or a commissioner. The others are simply associations to get together and see that the rates go out properly.

Mr. HARDY. But I mean, all put together, they practically involve all the railroad affiliations in the territory mentioned?

Mr. RAYMOND. That is the intention; yes, sir.

Mr. HARDY. No railroad left out?

Mr. RAYMOND. No railroad left out; no, sir.

Mr. HARDY. I think I asked you substantially the question, but I want to get just this general broad statement. Is it your opinion that any new line, conducted by straightforward people, willing to pay its proportion of the expenses, has a moral right to become a member of your association?

Mr. RAYMOND. They have that moral right, and they would have our vote. We would not oppose any company.

Mr. HARDY. So that you would not oppose letting somebody else come in and get on an equal footing with you just because they might be competitors?

Mr. RAYMOND. No, indeed; we would not.

Mr. HARDY. Mr. Raymond, don't you realize that if unanimous consent is required before a new member enters that association of yours, you render it impossible for a new man to get in unless he is a very strong man?

Mr. RAYMOND. I should say that might have that effect, but whether or not it requires unanimous consent, I really am not informed. There is no objection whatever for this committee to have the by-laws and articles of association for that body. I will furnish them.

Mr. HARDY. I wish you would. I do not think there is any question from the evidence we have had before us, unless you are prepared in some way to deny its authenticity, that unanimous consent is required and has been refused in more than one instance.

Mr. RAYMOND. I think that is the case with the large associations like the Southwestern Committee and the Southeastern Freight Association.

Mr. HARDY. You think that is the case?

Mr. RAYMOND. I think it requires unanimous consent.

Mr. HARDY. The simple fact that it requires unanimous consent almost sure to result in the blackballing of any man who is weak

and seeking to get into that business, isn't it, if the line he is undertaking may remotely affect adversely the interest of some member of the association?

Mr. RAYMOND. Why, it would have that effect, Judge.

Mr. HARDY. We are all human beings, and if your line was going to be adversely affected, the probability is your representative there could cast a vote against an interloper?

Mr. RAYMOND. Oh, I can not say that he would; but even if he did, that does not stop any new line competing for through traffic. My line has a perfect right, with railroad connections, to publish its own tariff and go ahead and do business.

Mr. HARDY. In connection with that question of publishing their tariff, I suppose you understand it well enough to make it plain. I wish you would make it plain to this committee or anybody who reads the testimony just what it is that is so enormously expensive about publishing this tariff that it absolutely deters a company with only one or two boats from publishing its own tariffs and goes ahead, and makes it so desirable that you all should unite in to share those expenses. What is that expense, and how does it come so heavy?

RAYMOND. I could not tell you what the expense is. I can not tell it to you.

HARDY. Can't you give this committee a sort of intelligible and sensible statement of why it is that that expense amounts to that?

RAYMOND. I should be delighted to do so if I could, but it has been more than 10 years since I have been on a conference committee.

HARDY. I do not mean you should give us the details, but what cost it to publish a list of tariff rates—the thing you all go in with and file with the Interstate Commerce Commission?

RAYMOND. We published a tariff the other day through the Brunswick when that line was inaugurated, and aside from the cost of those who were engaged in the work in our own cost of that tariff was \$7,500.

HARDY. That was for what port?

RAYMOND. Through the port of Brunswick, Ga.

HARDY. That port alone cost \$7,500?

RAYMOND. Yes, sir.

HARDY. Now, then, take this line of Mr. Warfield's. Would it cost \$7,500 to publish a tariff on his own initiative?

RAYMOND. It would depend entirely on how many points he publishes a tariff to and over how many railroads.

HARDY. He goes from Velasco to different points north.

RAYMOND. He ought to publish one for that, and a very good one.

MAN. Speaking about those joint tariffs, the law upon section 6 of the act known as the Commerce Court act of 1890 provides that—

When several carriers which are parties to any joint tariff shall file with the commission such evidence of concurrence therein as may be required or approved by the commission, and when evidence of concurrence or acceptance is filed, it shall not be necessary for the parties filing the same to also file copies of the tariffs in which they are parties.

Now, as I understand, your lines and the Agwi Line and the Morgan Lines agreed to get up this joint tariff, part rail and part water. Your agents get up these joint tariffs, and they are furnished to each member of the association, and the cost is divided between them; and when these joint tariffs are filed with the Interstate Commerce Commission by either one of the parties and the others file their concurrence, then it becomes operative as between all the lines—

Mr. RAYMOND. Named in the tariff.

The CHAIRMAN (continuing). Named in the tariff?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. That is substantially the *modus operandi*?

Mr. RAYMOND. That is it, correctly stated.

The CHAIRMAN. And if any independent lines should make application for admission to one of these tariff bureaus, as one condition you would require them to pay their pro rata share of the cost of making these tariffs?

Mr. RAYMOND. They would contribute their proportion of the expense of the association or bureau as the case might be.

The CHAIRMAN. Yes. But if they did consent to do that, then beyond that the members of the association would determine whether or not they would be desirable as a member of the association? That would also be considered?

Mr. RAYMOND. According to my best recollection the articles of these associations do provide for the admission of a member in that manner. I think that you are correct in stating it has to be unanimous.

The CHAIRMAN. When you made your introductory statement I understood you that the Mallory and the Clyde Lines were separate and distinct corporations, and of course the lines run to different ports, but the management is joint for economic reasons. Now, the Mallory Line and the Clyde Line and the New York & Porto Rico Steamship Co. and other companies are all part of the Atlantic, Gulf & West Indies Steamship Co., are they not?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Subsidiaries?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. And the Atlantic, Gulf & West Indies Steamship Co. and the Morgan Lines control the water carrying business—that is, the regular lines on the Atlantic and Gulf coasts, except now and then a sporadic intruder like the Philadelphia & Gulf and the Seaboard & Gulf. Why are those lines organized in that way—in other words, has that been done simply for economy of management, or was it done more effectually to shut out competition?

Mr. RAYMOND. I do not think it was done—I know it was not done to shut out any competition, and your statement that the Agwi Line and the Morgan Line have a monopoly practically of the Atlantic and Gulf is hardly correct, because—

The CHAIRMAN. I say, the regular lines. I am not speaking about the tramp steamship situation. I am talking about the regular lines.

Mr. RAYMOND. Yes, sir; but the Merchants & Miners Transportation Co. have something over 20 ships on the coast that operate from Boston, Providence, Philadelphia, Baltimore, Savannah, and Jacksonville. The Ocean Steamship Co. has 8 or 9 ships or more, and

they operate a line from New York to Savannah; the Old Dominion Steamship Co. has a number of vessels.

The CHAIRMAN. Those you have mentioned are all railroad-owned lines, are they not?

Mr. RAYMOND. They are; yes, sir; in the majority of cases. The only satisfactory answer I could give as to why the Clyde and Mallory Lines are the only independent lines on the coast is that nobody has come forward with capital to put into new companies. They were organized, as I stated yesterday in my introductory statement, back in one case in the forties, and in the other case in the early sixties.

The CHAIRMAN. They were taken over by the Agwi Lines?

Mr. RAYMOND. No, sir; Mr. Morse, as you probably know, bought up most of the lines on the coast in I think it was 1906. The report of the Bureau of Corporations gives a pretty correct statement of that.

The CHAIRMAN. I understand the history of all that, but when that combination failed these lines were still organized as the Atlantic, Gulf & West Indies Steamship Co.?

Mr. RAYMOND. That was the outcome of the old Consolidated Steamship Lines, and was formed for the protection of the security holders, whoever they were.

The CHAIRMAN. So far as the traffic on the Atlantic and Gulf coasts is concerned, it left the situation practically as Mr. Morse had planned it, except the ownership passed to another corporation.

Mr. RAYMOND. No, sir; the Atlantic, Gulf & West Indies Steamship Lines had only the lines south of New York. When the reorganization took place they only had four companies, the Clyde, the Mallory, the Porto Rico, and Ward. The Metropolitan and Eastern Steamship companies, which were a part of the Consolidated Steamship Co., were not taken over by the reorganization committee of the Atlantic, Gulf & West Indies.

The CHAIRMAN. There is, however, a vital connection between the Eastern Steamship Corporation and the Agwi Lines by directors in common and large stockholders in common, is there not?

Mr. RAYMOND. So far as the directors and stockholders are concerned, that is correct.

The CHAIRMAN. So, in effect, the situation is practically the same to-day as it would have been or was when Mr. Morse was carrying out his scheme?

Mr. RAYMOND. Oh, my; no, sir. One or two of the large owners in the Atlantic, Gulf & West Indies Co. are also large owners in the Eastern Steamship Corporation's stocks, but, as was testified to day before yesterday by Mr. Austin and, I think, some others, the Eastern ownership is largely in Massachusetts and Maine, the larger holders being ex-Gov. Hill and some associates.

The CHAIRMAN. There is no question but what the larger ownership is there, but there is a community of interest between the Agwi Lines and the Eastern Steamship Corporation?

Mr. RAYMOND. No, Mr. Chairman, there is not. I want to give to you all the information that I have, but I have been connected with the present Atlantic, Gulf & West Indies, through its subsidiary company, since its organization, and we have nothing in the world to do

with the Eastern Steamship Corporation, any more than we have with the M. & M. T. Co.

The CHAIRMAN. You interchange traffic one with the other?

Mr. RAYMOND. Yes, sir; just the same as we interchange with the New York, New Haven & Hartford or the Pennsylvania Railroad, the Metropolitan lines, or any line diverging from the ports to which we may operate.

The CHAIRMAN. Did you negotiate the purchase of the so-called Southern Steamship Co. fleet of boats, consisting of the *William Cheat Palmer*, *Shawmut*, and *Algiers*? And if so, state what was your object in obtaining control of these ships.

Mr. RAYMOND. Yes, sir; I conducted the negotiations. It was brought to my notice by some shippers from Philadelphia that the service that was there was unsatisfactory.

The CHAIRMAN. I did not catch the last few words of your answer.

Mr. RAYMOND. The Southern Steamship Co.'s service was unsatisfactory, unreliable, and irregular, and one of the large shippers came to me and wanted to charter one of our ships. I told him he could have her, that we would be glad to charter, but the figure, as I recall it, was hardly satisfactory, and whether or not he had been negotiating for that with the Southern Steamship Co. or not I can not say, but he had a price on them, so I assume that he had been; and I asked him what the figure was, as we wanted to get into Philadelphia. We were already there with a line from New York to Philadelphia and we thought that we would like to be there with a southern line, so we bought it.

The CHAIRMAN. While in operation did the operation of the Southern Steamship Co. seriously conflict with the trade of the Agwi Line, and was the Southern Steamship Co. on a self-sustaining basis at the time you purchased it?

Mr. RAYMOND. It could hardly be called a competitor of the Clyde Line, because while it might have drawn some traffic from the same territory, we never regarded it as a competitor, and I thought at the time that it was a self-sustaining line. We had an examination made of it, and it did not show up well, but we thought that we could improve it. While we have improved the service, we have never been able to improve the earnings, net.

The CHAIRMAN. Does it run from Philadelphia to southern ports?

Mr. RAYMOND. Yes, sir. It runs from Philadelphia to Charleston, Jacksonville, and Tampa. Recently we have extended the service to Port Arthur, Tex.

The CHAIRMAN. Is it still operated as the Southern Steamship Co.?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. Did you negotiate the purchase of the so-called Brunswick Steamship Co.'s fleet, comprising the steamers *Ogeechee*, *Satilla*, *Altamaha*, *Ochmulgee*, and *Ossabaw*, and had it been operating on a regular service from New York to Texas City for several years prior to your purchase?

Mr. RAYMOND. No, sir. The Brunswick Steamship Co. was a part of the Atlanta, Birmingham & Atlantic Railroad. Both the railroad company and the steamship company were in the hands of receivers. The steamers were built to be operated between New York and Brunswick, Ga., and they continued in that service up until the time that we bought the steamers. We did not buy any of Bruns-

wick Steamship Co.'s stock. They had been, prior to that purchase, chartered, but in some manner which I am not familiar or not informed, to Mr. Dimon and his associates, whoever they were. They operated these boats as a partnership, I believe, between New York and Brunswick or Texas City, in an irregular service, under the trade name of Texas City Steamship Co.

The CHAIRMAN. That was the company referred to here yesterday by Mr. Haines, I believe, as an active competitor of your lines and then afterwards was merged? That is as I recall his statement. Was that not correct, Mr. Hardy?

Mr. HARDY. That is my recollection.

Mr. RAYMOND. Yes; he stated that it was.

The CHAIRMAN. At the time of your purchase was it or was it not an active competitor of your company?

Mr. RAYMOND. Those vessels and others were engaged in the trade between New York and Galveston, and as I say, on an irregular service. We did not purchase any of the Texas City Steamship Co. stock, because there was not any to purchase, nor did we purchase all of the boats that were engaged in that service between New York and Texas City.

The CHAIRMAN. You bought these five?

Mr. HARDY. That company was organized, as I understand, in 1908. When did you buy the main part of the boats?

Mr. RAYMOND. The Brunswick Steamship Co. defaulted in the interest on their bonds, I think.

Mr. HARDY. Not the Brunswick Steamship Co. I am speaking about the Texas City Steamship Co.

Mr. RAYMOND. We did not buy the Texas City Steamship Co., Mr. Hardy.

The CHAIRMAN. Did the Agwi Lines take that over?

Mr. RAYMOND. Which company?

The CHAIRMAN. The Atlantic, Gulf & West Indies.

Mr. RAYMOND. The Atlantic, Gulf & West Indies Steamship Co. bought those five steamers that you named there from the Brunswick Steamship Co.

The CHAIRMAN. The Brunswick Co.'s fleet?

Mr. RAYMOND. Yes, sir. The Brunswick Steamship Co. defaulted in their bonds July 1, 1908. They were in the hands of a receiver. The securities, so far as I remember now, of the steamship company were held by the trust company or railroad—A. B. & A. The properties at that time were undergoing reorganization, as they are to-day, and we were approached to buy those boats in order to protect the securities that were out on them, and we purchased the boats, first, the company being taken out of the hands of the receiver, so that they could give a clear title to the boats. The Brunswick Steamship Co. to-day is still in existence.

Mr. HARDY. Was the Texas Steamship Co. using the Brunswick Steamship Co.'s boats when they were in operation?

Mr. RAYMOND. They used them at times, and they used also others.

Mr. HARDY. Was not that the basis of their organization, the chartering or using of the Brunswick Steamship Co.'s boats?

Mr. RAYMOND. I wish I could answer your question, Mr. Hardy, correctly, but I have not any idea.

The CHAIRMAN. The Texas City Steamship Co. operated chartered boats, did they not?

Mr. RAYMOND. Yes, sir.

The CHAIRMAN. They did not own any boats?

Mr. RAYMOND. They did not own any boats and they did not have any company. That was, as I explained, a trade name.

Mr. HARDY. I have a memorandum, but I have it not very clear in my mind, that the Texas Steamship Co. was organized in 1908, using the Brunswick Steamship Co.'s vessels.

Mr. RAYMOND. I do not think that is exactly correct.

Mr. HARDY. I think that is the substance of Mr. Haines's testimony. So that if you bought the Brunswick Steamship Co.'s vessels you bought all that the Texas Co. had in operation?

Mr. RAYMOND. Indeed, we did not. To my knowledge, what was called the Texas Steamship Co. operated a number of steamers there—the Luckenbach steamers.

Mr. HARDY. What became of that Texas Steamship Co.?

Mr. RAYMOND. It went out of business. There was not any real steamship company.

The CHAIRMAN. Did the Agwi Line or company take over the stock of the Texas City Steamship Co. and acquire it in that way, and is it not now a subsidiary of the Agwi Lines?

Mr. RAYMOND. No, sir; there was not any Texas City Steamship Co. organized or incorporated until after the purchase of these steamers named by the Agwi Lines from the Brunswick Steamship Co. Then, and not until then, was the Texas Steamship Co. organized and incorporated under the laws of Maine as an operating company, and that company to-day charters these five boats and any other boats that it may wish, to operate its service between New York and Texas City, or New York and other Gulf ports.

Mr. HARDY. How long since it has chartered one or since it has wished to charter one?

Mr. RAYMOND. The Texas City Co.?

Mr. HARDY. Yes.

Mr. RAYMOND. Why, it is using them to-day.

Mr. HARDY. The Texas City Steamship Co., I believe, it is called?

Mr. RAYMOND. Yes, sir; to-day it is using those five steamers; and I believe it chartered two of the Southern Steamship Co.'s—certainly one—because the Southern Steamship Co. did not have any use for them along the Atlantic, and I think it is the *Algiers*.

Mr. HARDY. They are working now in perfect harmony with the Southern Pacific and your lines running into Galveston?

Mr. RAYMOND. They are working in harmony with our lines.

The CHAIRMAN. But the Agwi owns it?

Mr. RAYMOND. The Agwi owns it.

Mr. HARDY. That is what I have been trying to get at.

The CHAIRMAN. They organized the Texas City Co. after they acquired these properties?

Mr. HARDY. You mean the Agwi Lines organized the Texas City Steamship Co.?

Mr. RAYMOND. Yes, sir.

Mr. HARDY. What is the purpose of that supernumerary organization? Why have they it at all?

Mr. RAYMOND. Primarily, it is to make money, but they have not succeeded.

Mr. HARDY. Do the vessels belong to this Agwi Co.; and why do they want to incorporate and organize a new company and put it under a new name?

Mr. RAYMOND. The Agwi Co. is not an operating company and has not any operating officers.

Mr. HARDY. What is the purpose of a company owning, controlling, and directing all these things and organizing a dozen different little companies by name, and still controlling them just the same?

Mr. RAYMOND. They have acquired them through purchase of these several subsidiary companies.

Mr. HARDY. What I want to get at is, what is the purpose of having a half dozen companies instead of one, when they all belong to one organization?

Mr. RAYMOND. Judge, it has been considered, and seriously considered, as to whether or not they would put them in the Agwi Lines, but it has been determined by those in authority and power that it not being an operating company, that to put all of their ships into one large company, the cost of operation, where they differed so much in their trade, would be more than it is to operate them the way they are. It is purely an economic question.

Mr. HARDY. Could you not have them all in one company just as well, and organize your divisions of that company, and have your vice presidents to operate this and that?

Mr. RAYMOND. If it were possible to get in all the securities now out on these old established companies which they purchased, that probably would be done, but each company has bonds out; that is, bonds out on the subsidiary company—also stock is out in the hands of the public. The Agwi substantially controls the bulk of those various companies, but they are independent corporations.

Mr. HARDY. Let us see how much independence there is. The independence really amounts to this: that the creditors can only look to these minor parts of the big combination for any security, but the control is the big one. Is not that about the substance of it?

Mr. RAYMOND. That is it exactly; yes, sir.

The CHAIRMAN. Along the same line, that sometimes a single boat will incorporate, so that in case of accident or damages, there is no liability on anything except that boat?

Mr. RAYMOND. That was not the purpose; no. I have undertaken to explain how that Agwi came in possession of these properties.

Mr. HARDY. As I understand the effect of it, these companies remaining in nominal or real entities, are all combined together, and they get the benefit of one control and at the same time escape the obligation of one responsibility. They are absolutely under one control, are they not?

Mr. RAYMOND. They are under one control; yes, sir.

Mr. HARDY. Well, was it not a fact that this Texas Steamship Co. for awhile tried to operate independently and adversely to the Mallory, Morgan, and the Southern Pacific lines?

Mr. RAYMOND. Not the Texas City Steamship Co. that we are discussing here.

Mr. HARDY. I am talking about the one that was organized in 1908.

Mr. RAYMOND. I do not think there was any organized then. Mr. Haines was wrong in his testimony.

Mr. HARDY. That part of his testimony you do not think is correct?

Mr. RAYMOND. No, sir.

Mr. HARDY. I have not the testimony before us, so I can not question you very much in detail without a transcript.

The CHAIRMAN. The truth is that the Agwi Lines, and the railroad-owned lines with which they are in accord, absolutely dominate the situation from New York south on the Atlantic and Gulf, and no independent line can come in and operate ships to any of the ports now served by these lines.

Mr. RAYMOND. I think that your statement is correct, Mr. Chairman. There is not business enough to divide up. If other lines do or should inaugurate a service between any northern and southern port, as stated in my introductory statement, it would simply mean a division of the business.

The CHAIRMAN. What agreement, if any, did you make with the former owners of the five steamers mentioned to give a service between New York and Brunswick, Ga., and why was that service changed about December 1, 1912, from the Clyde Steamship Co. to that of the Mallory Steamship Co.?

Mr. RAYMOND. We agreed to give them a service between New York and Brunswick by the Clyde Line of two trips a week, and we started in that operation at the time the Brunswick steamers were delivered to us. We operated such service until December 1, 1912, at a very large loss or a serious loss—hundreds of thousands of dollars. The reason that it was operated at a loss is, as I have endeavored to explain to you, that there was only so much tonnage moving and that the routes through other ports or the service through other ports was so far superior to that through Brunswick that it did not pay; it was not profitable. The Mallory Co. years ago operated a weekly service between New York and Brunswick. It withdrew on account of it being unprofitable after the Brunswick steamers went in there, because they took the greater tonnage or the bulk cargo northbound. The Mallory Co. had, with its connections, an understanding, due to its inferior service, that it could operate on differential rates, and when we withdrew we simply gave notice of suspension, with a view that possibly the other line would not be profitable, which was the case, although we tried our best to make it profitable. So we took up with the A. B. & A. the matter of these serious losses and got their consent to the modification of the contract existing between the railroad and the Clyde Steamship Co. to the operation of one sailing a week under the differential rates.

The CHAIRMAN. What line is serving that port now?

Mr. RAYMOND. The Mallory Steamship Co.

The CHAIRMAN. Is it a fact that the Southern Steamship Co., of Philadelphia, has acquired by lease, purchase, or stock control the steamers of the Texas City Steamship Co.?

Mr. RAYMOND. No, sir; that is not correct.

The CHAIRMAN. That is still an independent corporation under the Agwi?

Mr. RAYMOND. Still an independent corporation owned by the Agwi?

The CHAIRMAN. Yes.

Mr. RAYMOND. Now, if we can exchange such securities as may be out for those companies, we shall do what Judge Hardy suggested, put them in one organization. There is no advantage in keeping them separate.

The CHAIRMAN. There has been the testimony before the committee to the effect that there is a line drawn south from Buffalo through Pittsburgh and on south, and an understanding, either expressed or implied, between the railroads and the water lines that all the traffic originating east of that line shall go to the Atlantic seaboard and thence by water to the Pacific and Gulf ports, and the traffic west of the line goes to Texas ports or points in Oklahoma and other points in the West and Southwest by rail. Is that correct?

Mr. RAYMOND. I do not think it is correct as at this date, Mr. Chairman. It is my belief that the rate adjustment was such prior—it might have been—to 1908 or 1909 that it could have the effect of routing the traffic in the manner you have just described.

The CHAIRMAN. Was that by agreement between the water lines and the railroads, or who fixed that line?

Mr. RAYMOND. It was fixed before my time. I inherited it 25 years ago.

Mr. HARDY. You inherited it how long ago?

Mr. RAYMOND. Twenty-five years ago.

The CHAIRMAN. It has been observed, though, during all these years?

Mr. RAYMOND. Yes, sir. Just what the history of it was I do not know, but there has been a line from Toronto, I think, down to Pittsburgh and Wheeling and on south. I can send you that defined line, but I have not it clearly in my head. I think it may have been to Bristol, Tenn.

Mr. HARDY. You have heard Mr. Dillard's testimony. Was that substantially correct along that line?

The CHAIRMAN. He was not certain about the line south of Pittsburgh. It did not make much difference as to that part of it. Wheeling, you say, is on the extension of the line?

Mr. RAYMOND. The rates were so adjusted that the business east of that line moved through the Atlantic ports; the business west of the line moved through the rail gateways.

The CHAIRMAN. Whatever it was, that line is fixed and that adjustment made, and the clear inference is that it was by a friendly arrangement between the water lines and the railroads.

Mr. RAYMOND. That would be the inference.

The CHAIRMAN. You say you do not believe that exists to-day?

Mr. RAYMOND. It does not exist to-day; no, sir.

The CHAIRMAN. When was it discontinued?

Mr. RAYMOND. The water lines at the ports go as far west as they can and take business. They are not in any understanding now.

The CHAIRMAN. How far do they go?

Mr. RAYMOND. I heard it testified here since I have been here that there was something came from Alton, Ill.

The CHAIRMAN. I think a carload of axes was shipped from Alton by rail to New York.

Mr. RAYMOND. As a matter of fact, I do not think you can get very far west of Pittsburgh.

The CHAIRMAN. During the time there was strenuous competition between the Agwi Line and the Texas City lines they shipped a carload of axes from Alton, Ill., to the Atlantic seaboard and thence to Texas City. You say there is no agreed line now?

Mr. RAYMOND. No, sir; there is not.

The CHAIRMAN. I think you said it was discontinued about 1908?

Mr. RAYMOND. I think that it was at that time. I know we did not go west of a defined line some years ago, and I know that we do now. That is, shippers route business into New York at local rates, and then we take it up there to the destination south.

The CHAIRMAN. Now, when the agents of the railroad company and the water lines get together in these traffic bureaus and figure out these through rates, they have some point where they will begin, I should think; some defined territory in which the through rate shall be made by rail and water to the Gulf points.

Mr. RAYMOND. I may be able to throw some light on that by reference to this memorandum.

The CHAIRMAN. We will take a recess now until 2 o'clock. In the meantime we shall be glad if you will look that up for us.

(The committee thereupon took a recess until 2 o'clock p. m.)

AFTER RECESS.

(The committee reassembled at the expiration of the recess.)

TESTIMONY OF MR. H. H. RAYMOND—Resumed.

Mr. RAYMOND. Mr. Chairman, before the recess we were speaking of the matter of territorial lines and divisions. The statement was made by either the chairman or Mr. Hardy that this Buffalo-Pittsburgh-Huntington line, so-called, or Wheeling, whichever it is, must have been a matter of agreement, or that the inference was that it was an agreement, and I said "Yes." I have been able, through the assistance of one of the railroad libraries here, to find that record, and it was a matter of agreement in 1878, and was the result of a long warfare. I can better use the language of some of those that testified in the case of the Chicago Association of Commerce v. The Pennsylvania Railroad (I. C. C. Docket No. 1542).

Mr. HARDY. What is the date of that testimony?

Mr. RAYMOND. This book is dated April 24, 1909. It seems that prior to 1878 the western lines would take business away from New York, take it away from the water lines, and that the water lines were going into the West and taking the business that was unremunerative to them. Nobody liked the conditions, and every line desired a remedy, so they agreed upon that division of territory.

Mr. HARDY. The water lines and the rail lines?

Mr. RAYMOND. The water lines and the rail lines.

Mr. HARDY. And it has existed ever since?

Mr. RAYMOND. They could legally make an agreement then, and when they went out of existence their traffic continued along the lines of least resistance. It was very ably illustrated here by Mr. Milton H. Smith, who says:

The wisdom of such an arrangement can be illustrated by assuming three points 200 miles apart, in a triangle. Assume the average rate of transportation by the short line to be 1 cent per ton per mile, or \$2 per ton; and assume the operating expense to be one-half cent per ton per mile, or \$1. It would follow

that the net earnings from the transportation of property over the short line would be \$1 per ton. If the long line competed for 400 miles, the cost would absorb the entire revenue. Assume that 10,000,000 tons were transported over the short line, the profit would be \$10,000,000. If it were all transported by the long line, the profit would be nil.

That is part of the evidence that was offered there. And I find in those days that they did not hesitate to pass resolutions, because here is the record:

Resolved. That a line from Buffalo, through Pittsburgh, Wheeling, and Parkersburg, to Huntington, be made the dividing line between the eastern and western lines for territory hereafter outlined.

That the western lines will not take business from points east of that line for any points east of a line drawn from Chattanooga, through Birmingham and Montgomery, to Pensacola.

That eastern lines, including the Richmond & Danville Railroad via Strassburg, or points east of Strassburg, and the East Tennessee, Virginia & Georgia Railroad via Bristol, not to take business from points west of that line (Buffalo, etc.) to any points on or west of a line drawn from Chattanooga, through Athens, Augusta, and Macon, to Live Oak.

The business from Buffalo, Pittsburgh, Wheeling, Parkersburg, and Huntington to and east of Chattanooga, Calera, and Selma, to be worked at agreed rates, and that the business of those be pooled, 50 per cent to the eastern lines and 50 per cent to the western lines.

In case eastern lines take western business, or western lines take eastern business, they are to pay into the pool the entire revenue accruing thereon, from points to junctions with association roads, to be given to the lines composing the eastern or western lines, as the case may be.

That is the result of the conferences and the judgment of those wise men who were handling transportation problems in those days.

Mr. HARDY. Do your tariff rates as published show recognition of that line yet?

Mr. RAYMOND. The tariffs via water, as published to-day, to the southeast, for illustration, show that division yet; yes, sir; because there is not any profit to the water carrier to go west of that line. On business to the southwest, to the territory to which you were referring this morning—Texas, Louisiana, and Oklahoma—the water lines are not limited in territory, and their limit comes from the cost from the initial point, from the point of origin to the port. For illustration, if it costs us more to bring freight from a point west of this Pittsburgh line to New York—I will put it the other way. If the cost from the point of origin to New York, plus an unremunerative rate from New York to Galveston, is as high or higher than the rate would be through the other way by rail, we do not take it. In other words, we put in a line of arbitraries from New York to Galveston, and anybody can use those arbitraries that wishes.

Mr. HARDY. You mean that is the line to be used by shippers from the interior to New York? What do you mean by a line of arbitraries?

Mr. RAYMOND. The rail lines in the East charge the same rate to you or me or anyone else. We have not any prorating arrangements with them, as I testified this morning. Now, then, assume that the rate from Pittsburgh to Dallas—and I have not any knowledge of the correct rates—assume that rate is 50 cents, and that the rate from Pittsburgh to New York is 38 cents, or 25 cents. That would leave 25 cents on New York to Dallas, which would be unremunerative business and would not be accepted.

Mr. HARDY. Do you mean that the eastern roads, say from Pittsburgh and Buffalo and then this line that I spoke of, make no ar-

rangement by which they will give in a prorating program a less rate for goods that are billed through from Pittsburgh via New York to Galveston than they would for those goods billed straight to New York?

Mr. RAYMOND. You have stated it correctly.

Mr. HARDY. And they charge you full local rates?

Mr. RAYMOND. Absolutely so.

Mr. HARDY. And unless you can make your rate so as to come under or be no greater than the rates from Pittsburgh direct to Galveston, say, why you do not take the freight?

Mr. RAYMOND. We do not take the business.

Mr. HARDY. And you have no arrangement by which any of the eastern roads give you any through division of rates under the local rates?

Mr. RAYMOND. I do not believe, Mr. Hardy, that we have any prorating arrangements with any of the eastern roads. There may possibly be an exception in the case of the New York Central, but none with lines west where this volume of tonnage comes from.

Mr. HARDY. There may possibly be an exception in the case of the New York Central?

Mr. RAYMOND. There may be; I am not certain about it.

Mr. HARDY. I wish you would let us know, and put into your testimony along here whether there is such an exception.

Mr. RAYMOND. I shall be very glad to write the chairman whether we have or not.

Mr. HARDY. Does that apply to Baltimore too—roads running into Baltimore?

Mr. RAYMOND. They all charge through local rates.

Mr. HARDY. Where do you begin to get this kind of prorating division? Where does that apply?

Mr. RAYMOND. You are referring now to the eastern, or southeastern, or southwestern territory?

Mr. HARDY. Anywhere; I want to know where you have any such prorating arrangement by which you do not pay full local rates.

Mr. RAYMOND. Only with our southern connections.

Mr. HARDY. The roads running into Galveston, then, take your freight delivered by you at Galveston and carry it to the interior for less than their local rates?

Mr. RAYMOND. In some cases, and in some cases they get more. It depends on the origin of the traffic.

Mr. HARDY. But if the point in the interior is near Galveston they do not charge you full local rates?

Mr. RAYMOND. That depends on the origin of the traffic. If we should originate traffic back of New York 150 miles, at some local station, and we have a line of absorptions on a scale from 35 cents down, that 35 cents would be deducted from the through rate before we would prorate, the prorates with our Texas line being on a pro-prorate prorate.

Mr. HARDY. I do not exactly understand that, but I get the idea there is an arrangement and a prorate.

Mr. RAYMOND. There certainly is; yes, sir.

Mr. HARDY. Does that apply to all roads running into Galveston?

Mr. RAYMOND. Yes, sir.

Mr. HARDY. Now, then, you stated the other day that sometimes the local rate was cheaper than the prorate that you would get by these railroads on a through bill of lading. Did I understand you right about that?

Mr. RAYMOND. That is what I said just now.

Mr. HARDY. As I understand our system there we have the first 20 miles, maybe, as the lowest shipment provided for on a special scale, then 25 miles, then 30, then 35, and then, maybe, it skips longer distances—20 miles. When we get up to 300 miles all beyond that, I think, is a blanket rate, at least most of it is. Is that in cases where you have a long haul of 400, 500, or 600 miles where the Texas intrastate rate is below the through-bill rate?

Mr. RAYMOND. I do not know that I understand your question, and if I did, I do not know that I could answer it, as I have already testified, not being familiar with that rate. I do know this, however, that there are certain commodity rates in effect under the authority or direction of the Texas commission that give a rate within the Texas border from Galveston to interior points on certain commodities—take dry goods, for instance; they classify a carload for a department store and you can put anything in that car and get a lower rate from Galveston to interior points in Texas than the proportion of the through rate would be from New York to those points of destination through Galveston. And that is what the Interstate Commerce Commission are complaining about in a decision of the United States Supreme Court, that the big man in Texas has an advantage over the little man for the reason that he can concentrate a carload of this freight and he gets a lower rate under the ruling of the commission, an intrastate rate on interstate traffic.

Mr. HARDY. I think I understand your position now. You mean the Texas commission has provided a schedule of commodity rates that sometimes are cheaper than the interstate rates as provided by the Interstate Commerce Commission?

Mr. RAYMOND. You are correct, and it has changed our business from 70 per cent through business and 30 per cent local to 70 local and 30 through. And in addition to that it has so congested our facilities in Galveston and put such a burden upon us in the line of expense that it is almost prohibitive, and that is the reason we have not made any money in that State.

Mr. HARDY. That arises out of the fact that able men in business are shrewd enough to go over these rates and pick out the ones that are favorable to them locally and the ones that are not favorable to them locally, and they leave you to carry on through bills those where they get the better of it that way, and they consign to Galveston and ship on local bills the goods on which they get the better of it on local bills.

Mr. RAYMOND. My contention is, that should not be possible. The Interstate Commerce Commission should have the authority to say where there are two local rates or a combination of two rates that defeats the through rate that combination should be met and everybody have an equal right to use it. It should not be for a favored few that have a large business and can concentrate or assemble a carload of goods.

Mr. HARDY. They have not anything in any of the rulings of the Interstate Commerce Commission that prevents the railroads in

Texas from giving you the advantage of the Texas commission rates?

Mr. RAYMOND. I think it is impracticable to make up a through rate on a classification from New York to Galveston, which is the southwestern classification and generally used throughout the whole Southwest, and then take another classification—the Texas commission classification—from Galveston to the interior. I do not think it is a practical proposition.

Mr. HARDY. That is, your tendency in this matter is rather toward creating a uniform classification for the whole country?

Mr. RAYMOND. I certainly think that is the proper thing—and uniform rates.

The CHAIRMAN. I do not know of any reason why we should not have a uniform classification, in any event.

Mr. HARDY. A uniform classification, I think it ought to be.

Mr. RAYMOND. I do not mean exactly uniform rates in the way that it might be accepted, but the same rates should be available to everyone.

Mr. HARDY. Undiscriminating rates?

Mr. RAYMOND. Undiscriminating rates.

Mr. HARDY. Yes; I think you are right about that.

The CHAIRMAN. Mr. Raymond, we have, among others, a letter of complaint from the London-Savannah Naval Stores Co., of Savannah, Ga., in which they complain that the Clyde Line and the Ocean Steamship Co. discriminate against them in the matter of rates on rosin, I think, and, possibly, tar. I just quote one paragraph:

I understand the Clyde Line nominally charges 10 cents per hundred pounds on shipments of rosin from Jacksonville to Boston, but that under a contract between the American Naval Stores Co. and the steamship company the Clyde Steamship Co. pays a rebate of 2 cents per hundred pounds on all shipments of rosin made by the American Naval Stores Co. from Jacksonville to Boston, this rebate being paid not to the American Naval Stores Co. directly but to the National Transportation & Terminal Co., a corporation controlled by the American Naval Stores Co., but which does not share in the transportation of goods from Jacksonville to Boston. I understand that the American Naval Stores Co. receive the same discrimination not only as to rosin but as to rosin size, and possibly as to other similar products.

I understand the contract which the American Naval Stores Co. has with the Clyde Line and the Ocean Steamship Co. is that the American Naval Stores Co. shall ship 150,000 barrels per annum, and with that condition they receive a less rate than the London-Savannah Naval Stores Co., whose trade and resources are not sufficient to enable them to enter into a contract to ship so large a quantity of goods. First, is it correct or is it true that the American Naval Stores Co. get a better rate than the London-Savannah Naval Stores Co.?

Mr. RAYMOND. Not to-day, but it was true in the past, on a minimum shipment of 150,000 barrels per annum, which rate was available to any other person or firm or corporation that would ship a like quantity. Dealing with the question of rates between ports in a general way, first, we have contended for many years that we were not in a sense common carriers, but a carrier by contract for the reason that there are many commodities that we are prohibited from carrying under the statutes. Again, a very considerable percentage of our heavy freight, and that is in the northbound direction, is forest products, in competition with the sailing vessel and unattached

steamships, commonly called tramps. The rates prevailing on such commodities depends upon the tonnage offering, and the freight or vessel tonnage that might be available, and almost reduces itself to the question of supply and demand. If the water carriers had not been able to change their rates between ports from time to time there would have been probably some of them out of existence to-day, because the increase in expense in operating a steamer to-day as compared with 10 years ago is most marked. I heard it testified here withing the past day or two that it was 40 per cent. I hardly think it is that much, but probably it is over 25 per cent.

We can not change the through rates; that is, rates either beyond the ports east to interior points south or from eastern or southern ports to interior points either in the north or south, for the reason that they are rail and water rates, under the jurisdiction of the Interstate Commerce Commission, and without going into a long statement along those lines we know that no one has been successful in advancing a through rate. For those reasons, the rates on lumber and naval stores, which are the forest products, are higher to-day than they were a few years ago; schooner rates are also higher. Ten years ago you could charter a vessel at \$4.50 a thousand; to-day any market report will show you it is \$6.75. On steamers we have handled lumber as low as \$5.50; to-day we are getting \$7.50 to \$8. Naval stores are the same way. I have known rosin to be handled as low as 30 cents a barrel; to-day the rate is 50 cents.

And, now, dealing specifically with the London-Savannah Naval Stores Co., I do not believe that they ever shipped a barrel from Jacksonville in their lives. I had our records all examined. He wrote me a letter something like that, to which I replied that our rates were open to the world and open to one consignee or shipper as well as another, on like quantity. It is a difference between wholesale and retail business. That did not suit Mr. Swartz, and he wrote more about it, to which I have not replied. We followed our competitor and we inherited the business at Brunswick, where we found in effect a rate of 150,000 barrels of rosin per annum to the American Naval Stores Co., the same as was in effect from Savannah to New York, the two ports being competitors. At Boston, I think he is wrong. We do not have any National Transportation & Terminal Co.; I am not sure as to whether that is the corporate name of the company to which he refers or not, but I know what he means. He claims in that letter that is a subsidiary company of the American Naval Stores Co. To the best of my knowledge and belief, Mr. Shotter, who is the chairman of the Board of American Naval Stores Co., invested some years ago his private funds in some property in South Brooklyn on the water front.

Within the last year or two he put up some piers there—I have not been down there—and some improvements on the land, and he tells me, and I have every reason to believe it is so, that it is his private enterprise, but he being associated with the American Naval Stores Co. influenced them to store their business at that yard, and he being able to transport these naval stores from our piers and other piers in New York to his own property cheaper than we could on our lighters, we were very glad to give it to him, because he takes the physical delivery at our pier and gives us a receipt for the property, for which we pay him 5 or 6 cents a barrel, whatever it is,

and we not only pay that on the American Naval Stores goods but we pay it on anything that we store in those yards, and the same as we pay to get to South Brooklyn with cotton stores or anything else, but I think it was only effective the 1st of February—either the 1st of February or some time in January—but certainly prior to these communications. The rates were made the same on less than carload and carload business from all points and all lines.

The CHAIRMAN. Then, if I understand you, there is no discrimination of that sort in existence to-day.

Mr. RAYMOND. Absolutely not, and it began to be done away with in May, 1912, at a meeting of lines in Hot Springs, Va.

The CHAIRMAN. Does the Ocean Steamship Co. still continue that contract or has it abolished it, as well?

Mr. RAYMOND. It has abolished it as well.

The CHAIRMAN. If I understand, it was abolished at the same time.

Mr. RAYMOND. At the same date, by a matter of understanding.

The CHAIRMAN. So that now the rate is based on the cargo lot?

Mr. RAYMOND. Yes, sir.

Mr. HARDY. You mean carload or cargo lots?

The CHAIRMAN. Cargo.

Mr. RAYMOND. Whether they ship one barrel, Judge Hardy, or whether they shipped 150,000 barrels they pay the same rate.

The CHAIRMAN. Based on the cargo.

Mr. RAYMOND. The managers or whoever was responsible for this lower rate on 150,000-barrel lots, are undoubtedly influenced by the fact that the people who have that quantity to ship can charter their own vessels, the same as a man shipping lumber to-day. We have to meet the lumber rate by vessel, or at least a reasonable differential over a vessel, although we are favored with insurance and time and matter of interest on the investment.

Mr. HARDY. I don't know who it was, but you finally decided to wipe out that difference and carry every barrel at the same price, whether it was 1 barrel, 20,000 barrels, or 100,000 barrels.

Mr. RAYMOND. We only had that one discriminating rate on our books, and we did not want it there.

The CHAIRMAN. It no longer exists?

Mr. RAYMOND. It no longer exists.

The CHAIRMAN. Do your lines enter into or have in force any contracts with shippers by which they are entitled to rebates?

Mr. RAYMOND. No, sir; not for many years.

The CHAIRMAN. When Mr. Groves was on the stand, as I recall it, he testified that one obstacle in his way in shipping molasses from New Orleans to New York was the fact that most of the large shippers there were tied up by contracts to some other line—I do not recall whether it was the Southern Pacific or the Anchor Line—by the terms of which they were to receive a rebate. I think the rate was 80 cents, the rebate was 30 cents, and the net rate 50 cents, and the only way he could meet that condition was by making a 50-cent rate, and the further obstacle, however, was that when he made that rate the shippers were bound by contracts for long terms to the other line, by the terms of which the shippers would forfeit the rebate if they shipped by his [Groves's] line.

Mr. RAYMOND. Mr. Chairman, Mr. Groves's line operated between Philadelphia and Charleston and New Orleans, and no company that I am connected with operates or trades to New Orleans. We are not a handler of molasses. I read that in his testimony, but I do not know anything about it.

The CHAIRMAN. Do you know if that contract is in existence now by any line—have you any information to that effect?

Mr. RAYMOND. Not any reliable information, and I do not believe it exists to-day. I only know from hearsay that years ago the Southern Pacific Co. would make a contract with a shipper for his business, which was on a maximum quantity, and that he had to give it all to them. That was for their own protection, but whether such rates are in effect to-day, I do not know, and have my doubts.

The CHAIRMAN. You have no such contract between your lines and any shippers?

Mr. RAYMOND. No, sir.

The CHAIRMAN. When I say "any lines," I mean any of the Agwi lines?

Mr. RAYMOND. No.

The CHAIRMAN. Are there any agreements of that sort?

Mr. RAYMOND. I can not answer for the Porto Rico Line or the Ward Line, because their conditions are entirely different from the domestic lines. I can answer for all the domestic lines.

The CHAIRMAN. You say there are no preferred rebate agreements in existence on those lines?

Mr. RAYMOND. On the domestic lines; no, sir. I might explain, Mr. Chairman, that one man may have some lumber on our ship to-day at one rate and another man may have some on there at another rate, but lumber is contracted for in large quantities with the larger factors at New York, and if we book lumber, we book it at the current rate, and we give the shipper three or four months in which to fill his order. Frequently it is the case that the mills get under water or for some reason down South they do not ship it, and the shipper asks them for an extension. We usually give it to him, because he has sold the lumber based on that freight rate. In the meantime, the freight rates might have gone up, but it is booked under an order number and under schedule. If A sells to some contractor a schedule of lumber to go into a building, that schedule takes a number in his salesbook, and he books with us or some other carrier 200,000 feet of order No. 201, and we keep a debit and credit account of that lumber just like you would in a store. When that contract is out, it is out; the rate then may go down or it may go up; it all depends upon the market conditions.

The CHAIRMAN. But, as between two shippers shipping at the same time and under contracts made at the same time there is no discrimination?

Mr. RAYMOND. Absolutely none; no, sir.

The CHAIRMAN. Who owns or controls the terminals at Charleston; that is, the piers and docks?

Mr. RAYMOND. A corporation known as the Carolina Terminal Co. That can be explained in this way, that when Mr. Morse bought these various properties he issued a large amount of bonds, and in order to market those bonds at the highest price there is incorporated in the mortgage what is called "after acquired" clause,

which undoubtedly intended that any ships that might be built or acquired in the future should go in under that mortgage, and it has been in fact the case, but it is not limited, and it is such that if these corporations owned stock or securities in any outside enterprise or purchased real estate, they would have to go in under that mortgage, and as the bond issue is limited the outside company was organized with all the stock held by the Agwi for that reason and for that alone. It was purely a financial one.

The CHAIRMAN. Do your lines control the terminals at Charleston?

Mr. RAYMOND. Only such as we use ourselves.

The CHAIRMAN. Are there any independent terminals there?

Mr. RAYMOND. All we have is a thousand feet of the whole harbor.

The CHAIRMAN. Do you rent them?

Mr. RAYMOND. We did rent one pier, No. 11, and we rented it to the Philadelphia & Gulf, and they left it and would not have it. I can send you Mr. Groves's original letter, if you would like to have it.

The CHAIRMAN. Was that because it was not an eligible site for a dock?

Mr. RAYMOND. He claimed he could get better facilities or perhaps better accommodations. I do not know what his reason was; he did not tell me, except he gave us notice that they would not require it any longer.

The CHAIRMAN. Do your lines own those docks?

Mr. RAYMOND. No. This is the way it was, the Charleston Terminal Co. owned—

The CHAIRMAN. Is that a subsidiary of the Agwi lines?

Mr. RAYMOND. No, sir; that is owned by the Southern Railway and Atlantic Coast Line, 50 per cent each, and had about all the water front that was not owned by private firms; just how much I do not know. The terminals—those we were using—we leased from them. They were in exceptionally bad repair. The municipal authorities were after the Charleston Terminal Co. to improve them. The terminal company, I believe, claimed that they did not have sufficient revenue to warrant the improvements that the city thought they should make. Mayor Rett took up with me the question of the Clyde Co. financing the city in a scheme to acquire some property from the terminal company, which was more than we purchased, and to be paid in so much per annum from the rentals that we would pay to the city. It was not difficult to explain to him that we were in the transportation business and not in the banking business, and that we could not consider favorably any such proposition as that. That led to a discussion of the Clyde Co. acquiring its own terminals and improving them, to which we answered that if sufficient water front could be acquired at a reasonable price we would do so. Negotiations were entered into with the Charleston Terminal Co., and we bought approximately 850 or 900 feet from them, and bought the difference between that and what we have now, which is approximately a thousand feet, from the city of Charleston, which was the end of a street, and we are improving that property to-day for our own use.

The CHAIRMAN. Was that the section that Mr. Groves tried to get and was blocked in some way?

Mr. RAYMOND. I think he is just astray in his testimony, Mr. Chairman. I read that part of it. What we purchased from the

Charleston Terminal Co., if my memory is correct, was Piers 5, 6, 7, and 8. It was all water where Piers 9 and 10 had been. Pier 11 was a pier about 2 years old. I do not know who it was put up for, but it was put up by the Charleston Terminal Co. and was leased to Mr. Groves for his Philadelphia & Gulf at a rate of \$250 a month. When Mr. Groves found that we had purchased the property that included Pier No. 11, the one that he was using, he sent his traffic manager to New York and called upon me and asked me what we were going to do about it. I said, "Continue using it as long as you want, until we get to a point where we are going to improve our property and may have to use it ourselves," and he left there voluntarily and without any reasonable excuse. We wanted his money.

The CHAIRMAN. You did not freeze him out?

Mr. RAYMOND. No, sir; quite to the contrary, we extended to him a welcome hand.

The CHAIRMAN. Do you consider the existing conditions all right, or what suggestions have you in the way of legislation?

Mr. HARDY. Mr. Raymond, before you go to that part of it, there is still a little matter that I want to get clear. Mr. L'Hommedieu gives this information that I want your statement with reference to. He says on paper from Lisbon Falls to Beaumont that your published rates are, local Lisbon Falls to New York, 16½; water, 20 cents to Galveston; local, 15 cents from Galveston to Beaumont; making a total of 51½ cents as a combination of locals and water, while your published rate is 45 cents. And, again, that from Philadelphia dry goods, the combination of locals would be New York 20, water 75, from Galveston to Beaumont 30, total \$1.25, while the through rate given is \$1.07. A man just reading that would think there was a prorate both from New York and from Galveston.

Mr. RAYMOND. There is not.

Mr. HARDY. Can you explain where that difference between your published through and your published local rates comes in?

Mr. RAYMOND. No; I can not, and I do not see the necessity of it. If a man can ship his goods through on a through lading and have a solvent company responsible for them from the point of origin to the point of destination at a less rate than he can ship them on a combination, and be further charged with an expense of forwarding at Galveston, he should use the through rate; that is what it is for.

Mr. HARDY. The point I am making is this: Are you sure that all this reduction comes off the Texas railroad haul? If there is no reduction—if the local rate from Philadelphia to New York, for instance, is 20, and 75 cents water rate added would be 95 cents, while the through rate is \$1.07, leaving only 12 cents added for the rail haul in Texas.

Mr. RAYMOND. I have never made that statement. I said that the lines east did not prorate; that they had a fixed arbitrary from the point of origin to our pier.

Mr. HARDY. The line from Philadelphia to New York is one of the lines east, is it not?

Mr. RAYMOND. Yes.

Mr. HARDY. Do you mean their rate is 20 cents on dry goods, and your rate is 75?

Mr. RAYMOND. Our rate may be 75 cents, if it is a local shipment.

The CHAIRMAN. The port-to-port rate?

Mr. RAYMOND. The port-to-port rate.

The CHAIRMAN. But one through rate, and the difference comes out of the water rate?

Mr. RAYMOND. Comes out of the water rate—water and rail both—that is the Southern Railroad.

The CHAIRMAN. Water and the Southern Railroad?

Mr. RAYMOND. To illustrate what is the through rate—

Mr. HARDY. I will just give you Philadelphia now. Local: Dry-goods 20 cents, water 75, and local again from Galveston to Beaumont 30 cents; making a total of \$1.25. The through rate by your route is \$1.07.

Mr. RAYMOND. The through rate would divide this way: If the rate from Philadelphia to New York is 20 cents, 20 cents would be deducted from \$1.07, leaving 87 cents south of New York, to be prorated between the water line and the railroads beyond Galveston.

Mr. HARDY. Then your statement is that the prorate takes place from this end of the railroad and your water rate, and not on that end out there?

Mr. RAYMOND. That is correct.

Mr. HARDY. They take their flat rate out?

Mr. RAYMOND. The eastern lines' rate for all arbitraries.

Mr. HARDY. Then, there is no conflict between your statement and his.

The CHAIRMAN. Have you any suggestions to make in the matter of legislation?

Mr. RAYMOND. Mr. Chairman, that is a difficult question and one that I wish I could intelligently answer. I have heard it said that pooling would be a solution. I can not just reconcile it, especially for the weaker line. It would be all right for those that are there in the start, but how is another fellow going to get in? It does appeal to me that if there is to be legislation that it should be along the lines of establishing under, if you wish it, Federal authorities, a reasonable rate open to all, and that the man or company, whatever his motive may be, that undertook to make a rate lower than that should be restrained from it. We have not anything to fear, but, on the contrary, would welcome any fair legislation that will protect the water carrier, and I mean by that against their enemies, whether it be a so-called "piratical line" or whether it be against transportation by land; but what to suggest and where we can get the remedy, I must confess I do not know. I have given it thought. I can not see that a maximum and minimum rate would do it, because they would be all minimums, and if you had a minimum rate that would be the rate. That, in fact, is what makes our rates the same to-day by the Morgan and Mallory Line. The low rate is the rate, and the other fellow follows it, and it always will be that way.

Mr. HARDY. Unless there is combination.

The CHAIRMAN. The tramp on commodities can fix the rate, if you had a maximum and minimum rate, and make it the minimum.

Mr. RAYMOND. Mr. Chairman, it depends entirely on what a community wants. If a community is satisfied with slow transportation as against a competitive port or neighbor, with a better service, they can have a lower rate; but it does appeal to me that the rate

should be measured by the expense of the transportation. You can give a \$3 transportation, and again you can give a \$6 transportation, exactly the same as you can go from here to New York on a 6-hour train in a day coach or take the Congressional. There is the difference.

Mr. HARDY. I think you are right about that; the charge ought to be in proportion to the service. There is not any question about that.

The CHAIRMAN. You find the sentiment of the communities you serve in favor of regular service and efficient service, do you not?

Mr. RAYMOND. I do most assuredly; and I wish I had with me, simply to read, not for the benefit of the record—the editorials that have recently been written with respect to the service that the Clyde Co. is giving to the south Atlantic ports. We put in commission only two weeks ago a new ship, probably the best—she is unexcelled—on the coast; and the people of Jacksonville, Fla., and Charleston, S. C., have welcomed that ship. We never have any controversy with them about rates. They are paying a reasonable rate, and everyone knows that he is paying the same, and they want to see that service maintained at a high standard.

Mr. HARDY. Mr. Raymond, right there: I appreciate the worth of what you are saying, but let me give you this case: Here are the people of Beaumont. What they want is canned goods from Baltimore. The way they are served at present is this: The railroad haul from Baltimore to New York, the water haul from New York to Galveston, and the railroad haul from Galveston to Beaumont. That is the only service you will or are giving them; that is the only service they can get. Just to illustrate, we will say they are paying 35 cents. If those people, who are not satisfied—they are the community interested—and if they find that they can charter a vessel, organize a company, and secure direct transportation from Baltimore to Beaumont by way of Port Arthur, at 20 or 25 cents, what right have you, because they undertake to do it, to send in a steamer and underbid them, cut the ground from under them, and say they shall not have that transportation? I am talking about fair transportation.

Mr. RAYMOND. In the first place, we did not do it; in the second place—

Mr. HARDY. What right has anybody to do it?

Mr. RAYMOND. We have the same right to establish a route from New York to Port Arthur as the people of Beaumont have.

Mr. HARDY. Exactly; but these people can be served more economically, more beneficially; for instance, it is said those canned goods were handled first by rail from Baltimore to New York, and then they were reloaded onto the ship and carried into Galveston, and then they were unloaded and transhipped from there to Beaumont, and these several handlings were injurious to those canned goods. They can bring it direct, and they undertook to do it. I do not say your company did it, but a company was formed, which comes into life, charts a boat and goes there and takes stuff at 15 cents, and as soon as they are dead and have perished, that company goes out of existence. I want to know if that thing ought not to be prohibited by law, and if you think that is just and equitable?

Mr. RAYMOND. I think some law should be passed and could probably be passed to prevent such a thing as you outline, but at the same time I do not believe that that is the reason for that boat line going there. Of my own knowledge—I am not speaking of anyone else's—

Mr. HARDY. Whether that was the question or not—

Mr. RAYMOND. Wait, Judge.

Mr. HARDY. Just assume it was, for the sake of the argument.

Mr. RAYMOND. I went to Texas about a year ago, when we had a complaint from these commercial organizations. I visited some of the larger merchants, some of the most reputable and most valuable to the State that there are, in the cities of Dallas, Fort Worth, San Antonio, Houston, Beaumont, and Galveston, and found the sentiment of those people such that they wanted stable rates. They were willing to pay a reasonable rate; they were tired of the demoralization that has existed in that territory for the last four years. The only reason for these various lines to Texas is that each place along that shore is desirous of having a line. I can furnish you enough appeals from the commercial organizations, the larger merchants, of places like Beaumont, Port Arthur, Texas City, Rocky Point—I think that is the name—Aransas Pass, and one other, Velasco, to show that. Now, it should not be hard for any of us to understand that there is not tonnage there for those various lines, and it was not the load of canned goods or steamship lines that Beaumont wanted. They wanted to establish the fact that they were a port.

Mr. HARDY. Now, let us leave out all the suppositions except this: If Beaumont or any other port finds it can serve itself by a direct line with New York or any other port cheaper than any existing line is willing to serve them, haven't they a right to establish that service?

Mr. RAYMOND. They certainly have.

Mr. HARDY. If the facts are true that this fighting ship was employed simply to drive them out of business, ought it not to have been prohibited?

Mr. RAYMOND. I do not agree with you the way that ship was put there. Why should that ship come in there and disturb the rates? If the facts are true—

Mr. HARDY. As stated by the testimony of the witnesses before this committee—

Mr. RAYMOND (continuing). It ought to be prohibited, but I question the accuracy of it.

Mr. HARDY. You do not question the accuracy of the boat being there?

Mr. RAYMOND. Not a bit.

Mr. HARDY. Nor of its taking goods at 15 cents?

Mr. RAYMOND. No.

Mr. HARDY. You think the only question involved was between Galveston and Beaumont?

Mr. RAYMOND. I do not want to say for this record everything I know about the people of those ports trying to get lines there.

Mr. HARDY. That would not be material to this inquiry. If those facts as testified are correct, then it ought to be prohibited. You will admit that it is inequitable and unjust to those people to refuse

them the right to establish a line or give somebody else the right to cut under it in that way?

Mr. RAYMOND. You are establishing for the city of Beaumont something you are trying to prohibit for the balance of the State.

Mr. HARDY. I say that if any port can establish a rate cheaper than the rate they are getting, they ought to have a right to do it?

Mr. RAYMOND. Unquestionably.

Mr. HARDY. And if you can give rates that beat your competitor, you have a right? But that cutthroat method ought to be prohibited.

Mr. RAYMOND. You can not get me to say it is a cutthroat method.

Mr. HARDY. Well, we will not try any more.

The CHAIRMAN. As I understand you, each one of those towns wants the advantage of its neighbor?

Mr. RAYMOND. That is it, Mr. Chairman. The Beaumont people will say to you, "We are nearer the sea than Galveston; we have a differential rate to Louisiana points—some points in Texas and Louisiana." You get over to Aransas Pass, and they say, "Our rates to all points within a line from San Antonio down to here are less." Every one of those points wants a city, and—I was going to use a word I will not, but they certainly all talk against Galveston—put it that way—the second largest port in the matter of exports in the United States, and right within their own borders they are against it all the time—first, last, and forever.

Mr. HARDY. The question comes back, after all, to this: I expect large combinations will concentrate the most of their shipments at the larger ports. It would be more convenient for them.

Mr. RAYMOND. It is natural that you can get better service where you have the better facilities.

Mr. HARDY. But if a community is able to get a service that satisfies them, that they want, at a cheaper rate, by having direct instead of roundabout communication, is it right that these large combinations should throttle them and refuse to let them do so?

Mr. RAYMOND. If they will attend to their own business and leave the other ports alone and take care of their own freights, why, we would never bother them.

Mr. HARDY. Don't you realize that any regulation that would be attempted would prohibit that first of all? That if the Government undertakes to regulate at all, they would have to prohibit that?

Mr. RAYMOND. After all, Mr. Hardy, I feel that the Government should not be interested in whether or not the Agwi Lines are operating a steamship service or whether some other steamship line is. It is whether we, as in a measure a common carrier, are giving to the people in the communities we may serve a just and reasonable rate or whether we are charging an excessive rate.

Mr. HARDY. And also whether you are preventing other communities from getting a reasonable rate.

Mr. RAYMOND. How are you going to measure the reasonableness of a rate unless you measure the cost of transportation?

Mr. HARDY. I am just illustrating that. If those people could live and prosper on a 20 or 25 cent rate, that is a reasonable rate to them.

Mr. RAYMOND. They had it.

Mr. HARDY. If you had nearly double that amount, it was not a reasonable rate to them, was it?

Mr. RAYMOND. We do not have nearly double that rate. I do not want to contradict anybody.

The CHAIRMAN. The testimony by Mr. Warfield was to the effect that the rate was 25 cents on canned goods from Baltimore to Texas points.

Mr. RAYMOND. Isn't that a reasonable rate? That is right, but I think you are referring to 35 cents.

Mr. HARDY. That was the rate to Galveston plus the rate to Beaumont by rail; 33 cents was the rate to Beaumont.

Mr. RAYMOND. The Beaumont Chamber of Commerce wrote me more than one letter setting forth their claims for a steamer to Port Arthur, with the hope that subsequently it would go up the Neches River to Beaumont. The chamber of commerce petition was supplemented by letters from some of the larger merchants there. I had a call from two of them. I even stopped at Beaumont and went down to a pier that they built on the river. It is not an easy matter for a man in the dry goods business or grocery business to determine what is right for a transportation company; they found that out.

The gentleman that testified yesterday, if I recall his figures, said he expected to have an expense of \$9,000. Well, an experienced steamship man usually figures all the expense he can and then adds some. They never thought of chartering that boat until after we had declined for business reasons to go there and give to them the rate on canned goods that the Texas Jobbers' Association asked for.

Mr. HARDY. Now, understand, Mr. Raymond, I do not think anybody would blame you for not starting that line if you could not see your way to it. The point of criticism is that when they started out—whether they were going to lose or win—a line was started up that underbid their rates by 5 cents a hundred pounds and killed them, not by fair means, but by those means. If you did not want to start the route, that was your business, but did you have any right when they started to come in and cut under them in that way?

Mr. RAYMOND. We would not have put in a ship if we did not think we had that right. And, reversing the position, Mr. Hardy, what was the motive of the Beaumont people in establishing, as this gentleman testified yesterday, a 5-cent less rate to certain points in the Texas territory? Their reasoning very probably was this: "Here, our neighbors in Houston and other interior points and in Galveston have the Morgan and Mallory Lines at 25 cents. We have got to pay 3 cents more into our territory here. Therefore we will better their rate 8 cents a hundred pounds." We have been established between New York and Galveston for over 40 years now, and for every dollar we have taken out of the State we have put one back in improved and newer property. Isn't it right for us to protect the balance of the State against one isolated community?

Mr. HARDY. Do you think your company has the right by that kind of methods to prevent the establishment of direct communication—

Mr. RAYMOND. We do not. If the Beaumont people or the people of any other city wish to charter a vessel, it is up to them.

Mr. HARDY. But the point I am making is, do you think you have a moral right as a business competitor to resort to the methods of competition that are narrated in this case?

Mr. RAYMOND. We have not only a moral right to protect our own business; it is our duty to do so. I would not be worth being with a steamship company if I were not going to protect them against the irregular and unnecessary competition of that character.

Mr. HARDY. Then you justify the hiring of fighting ships to put down initial competition?

Mr. RAYMOND. If it was necessary to have a fighting ship to protect our interests, I certainly would favor it.

Mr. HARDY. Then don't you realize that under the operation of that policy no little man can survive the handling that you could give him?

Mr. RAYMOND. I realize that a little man can not give to the public the same service at the same cost as the big man.

Mr. HARDY. But if he could he still could not live?

Mr. RAYMOND. I doubt it.

Mr. HARDY. Don't you know he could not? It is not a subject of doubt. You would kill him without—well, you might have compunctions of conscience—but without a scar on your face.

Mr. RAYMOND. It is just the case of the little boys just out of school, out on the side of the road during recess playing marbles. One of them gets them all before they are through.

Mr. HARDY. And might makes right in that case?

Mr. RAYMOND. Might makes right in that case; yes, sir.

The CHAIRMAN. It is the conflict of interests and selfishness asserting itself on both sides.

Mr. RAYMOND. I think so.

The CHAIRMAN. Is there anything else, Mr. Raymond? If you have any recommendations to make that you prefer to put in writing and will furnish them to the committee we shall be glad to put them in the record.

Mr. RAYMOND. Thank you, sir; I will be very glad to do that.

CLYDE STEAMSHIP CO.,
New York, March 4, 1913.

HON. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: At the time I testified before your committee, I promised you direct, and through Dr. Huebner, some information, which I made a memorandum of, but mislaid same, it only coming to light to-day. The memorandum taken at the time, reads:

1. Coastwise conference by-laws.
2. Expense of publishing a tariff.
3. Prorating arrangements with eastern lines.
4. Texas rate adjustment.

Dealing with the subjects seriatim:

1. *Coastwise conference by-laws.*—On February 5, 1907, the coastwise steamship lines operating from New York to Virginia, South Atlantic and Gulf ports formed themselves into a committee known as the "New York Steamship Freight Conference," for the interchange of views respecting freight rates from New York and eastern territory, and the arbitraries to be allowed connecting lines to New York for their services as a division of through rates from said eastern territory, and for the discussion of such other matters as might be of mutual interest. No constitution or by-laws were promulgated. On October 16, 1907, at the sixth meeting of the New York Steamship Freight Conference the following recommendation was offered and adopted:

"Recommended, that this conference shall hereafter be called the 'Coastwise Steamship Freight Conference'; that all coastwise steamship lines operating between New York, Boston, Philadelphia, or Baltimore, on the one hand, and the Virginia, South Atlantic, and Gulf ports on the other hand, shall be eligible

to participate therein, and that the rail connections of such coastwise lines may by invitation participate in meetings.

"Adoption of the foregoing recommendation dissolves the New York Steamship Freight Conference and creates the Coastwise Steamship Freight Conference. The proceedings of meetings of the New York Steamship Freight Conference will close with this record of the sixth meeting. Unfinished subjects on the docket of the former New York Steamship Freight Conference will be transferred to docket of the Coastwise Steamship Freight Conference and listed by the chairman for consideration at the next meeting."

No by-laws were promulgated for the government of this conference.

2. *Expense of publishing a tariff.*—Our tariffs vary in size from a single sheet to those containing 600 pages, and consequently the cost varies. Tariffs under 10 pages cost from \$4 to \$8 per page for printing, according to the character of type used, volume of matter per page, and number of copies printed. A 500-page tariff containing ordinary tariff matter, printed in the size type generally used, costs \$5.50 per page for 500 copies; additional copies 10 cents per 100 pages.

These prices, however, do not include charges made by printers for what are known as "author's corrections," etc., which can usually be figured at about 5 per cent on bid for a large tariff, nor does it include cost of compilation, which it is hard to state with any degree of accuracy. The salaries of tariff clerks range from \$100 to \$175 per month, according to their ability. Some tariffs are compiled with reasonable promptness; with others it takes many weeks.

3. *Prorating arrangements with eastern lines.*—We have no prorating arrangements with any of our eastern rail connections at any of our eastern ports other than New York. With a majority of the rail lines converging at New York we have in effect joint tariffs containing rates to the south Atlantic ports of these lines, which rates are prorated under agreed percentages after the deduction of the cost for New York transfer of 3 cents per 100 pounds, carloads, 4 cents per 100 pounds l. c. l. The percentage proportions accruing to the rail lines up to New York yield those lines approximately their local rates up to New York. The transcontinental westbound rates applicable from interior eastern trunk-line territory via New York and Mallory Line to Galveston, Tex., are also divided under agreed percentages with the rail lines converging at New York, the percentages being applied blanket from certain zones. The revenue accruing to the rail lines up to New York from these percentages, generally speaking, approximate their local rates. With these two exceptions these lines have to pay to all connecting lines at Boston, Mass., and New York, N. Y., out of such through rates as we may publish in our tariffs, either their local rates up to Boston or New York, or such proportional rates as they may establish applicable on traffic intended for forwarding via the water lines from New York. These proportional rates are in some instances less than their locals, others in excess of their locals. These local or proportional rates, however, are applicable and alike charged by the rail lines or rail-and-water lines into the eastern ports on traffic forwarded via any water line from Boston or New York to south Atlantic or Gulf ports.

4. *Texas rate adjustment.*—The general basis for the construction of rates from New York City to interior points in Texas is a combination of the local rates from New York to Galveston plus the local rates therefrom, and these rates in so far as their application from New York is concerned bear no relation to the rates from any other point. From interior Atlantic seaboard territory, east of the Buffalo-Pittsburgh line, generally speaking, the New York proper rates to Texas common points are extended to apply. Whenever such rates are extended to apply from Atlantic seaboard territory, then the rates from St. Louis, Mo., to Texas common points are constructed under a 25-cent scale less. From Atlantic seaboard territory, as above described, to points in Texas to which the rates from Galveston are less than are the rates from Galveston to what are known as Texas common points, the rate via New York and Galveston are established under an arbitrary basis, "15-cent scale higher than the rates from New York proper," with the exception of a few points in the eastern interior adjacent to New York from which the rates to the Gulf Line piers at New York are less than the 15-cent scale, and where this condition exists the rates are constructed straight combination on New York, observing in every instance Texas common-point rates as maxima. There is no relation between the rates from Atlantic seaboard territory to points in Texas taking less than common-point rates and the rates from St. Louis.

I may add, in connection with No. 1, that the Coastwise Steamship Freight Conference had its origin in 1879 with the formation of what was then known as the Coastwise Steamship Association. From the constitution of same I beg to quote as follows:

"ART. 2. The objects of this association shall be a frequent interchange of opinions on subjects pertaining to the general welfare of its membership, with reference to the important interests they represent; the establishment and maintenance of fair and equitable rates, and, as far as may be practicable, the adoption of a uniform classification; and for such other objects as may legitimately come within the scope and province of such an association. It being understood that the action of the association relative to rates or the mode of doing business by its members shall be advisory, but not obligatory."

In later years the association was made a part of the Southeastern Freight Association, known as the New York local freight committee, with the agent of the Southeastern Freight Association as its chairman. The matters dealt with by the committee were principally cartage and lighterage rates, rules, and regulations, publication of eastern absorption tariffs, etc. The position of chairman was abolished in February, 1907, when the name was changed to the Coastwise Steamship Freight Conference.

Yours, truly,

H. H. RAYMOND,
Vice President and General Manager.

FURTHER TESTIMONY OF MR. HENRY S. L'HOMMEDIEU.

Mr. L'HOMMEDIEU. I would like to state first, Mr. Chairman, that I think Mr. Raymond is wrong when he says that the fight down there is between the ports and we are all trying to kill Galveston. I am afraid Mr. Raymond has not talked to the right people. I do not think there is anything but the most friendly feeling between Houston, Galveston, Beaumont, and Port Arthur in regard to the tonnage that comes through there. We feel that with the opening of the Panama Canal there will be enough business coming down to be diverted southward to take care of all those ports, that Galveston will have as much as she can handle, and we hope and feel that the rest will also.

In regard to the coastwise lines, Beaumont, of course, would like to have a coastwise line. We would like to have some such line as the Mallory Line, and the Chamber of Commerce has made overtures to the Mallory Line to come into Beaumont, because we understood they were figuring on coming into Port Arthur. The Kansas City Railway Co. there is very anxious for a connection with the north Atlantic ports, to serve the territory which it serves throughout Louisiana, Arkansas, and Kansas. That, I understand, is the reason why the Southern Steamship Co. came through there.

The CHAIRMAN. How far is it from Beaumont to Galveston and Austin?

Mr. L'HOMMEDIEU. Galveston to Austin—207 miles.

The CHAIRMAN. How far to Beaumont?

Mr. L'HOMMEDIEU. From Galveston—75 miles by the short line.

Now, as to the canned goods rate of 25 cents, or 33 cents through to Beaumont, we figured that out pretty closely when this boat was offered to us—the *Raven*—and figured on a 4,000-ton boat, that if we could get a full cargo at \$4 per net ton it would be \$16,000, and that would leave a profit of about \$4,000 on the southbound trip, even assuming that the southbound trip cost us \$12,000. We had all the northbound cargo we could possibly handle. We can get lumber at Port Arthur northbound at any time. We handled about 60,000 cases of case oil on that trip.

The reason the people of Beaumont went into that steamship route was not to make Beaumont a port, because Beaumont was not a port and is not. They went into it for the same reason the Morgan and Mallory Lines are in it—to make money. We figured we ought to clean up \$5,000 on that round trip at a minimum if we could get the cargo southbound and the cargo northbound we figured on. There were approximately 900,000 cases of canned goods to move from Baltimore to Texas points during the canned-goods season of this past year; 120,000 cases would have been a full cargo for the *Raven*. All the canned goods we could get after the rate was cut was 72,390 cases; 36,000 cases of that belonged to Beaumont alone. Now, at the 15-cent rate we could not make money, and I do not think the Mallory Line or the Morgan Line could make money at 15 cents on canned goods, because the damage in canned goods is great. But Mr. Raymond says that the Gulf Steamship Co. was formed at the request of the Texas Jobbers Association.

It was not until after the *Raven* had gone into the field that we heard anything about it. The *El Monte* started to load in Baltimore on the 23d day of September, one day before the *Raven* left there, but the *Raven's* cargo was canceled out by the shippers of Texas on the 15-cent rate. It was just the same as if I would tell you, "I will haul your goods for \$3," and some other man would say, "I will haul them for \$2"; the man that would haul them for \$2 would get them. Representatives of the Morgan Line and one representative, I am sure, of the Mallory Line solicited the cargo for that steamer *El Monte*.

THE CHAIRMAN. Do you remember who they were? Do you know their names?

MR. L'HOMMEDIEU. The general freight agent for the Southern Pacific in Beaumont, and Mr. Garrison, who is soliciting freight agent. In fact, the first inkling the Chamber of Commerce of Beaumont had that the rate had been cut to 15 cents came from the Southern Pacific's representatives.

MR. HARDY. You said one agent of the Mallory Line. Who was that?

MR. L'HOMMEDIEU. As Mr. Raymond says, these lines were not authorized to solicit for that, and I am afraid I would put that one agent in a rather embarrassing position.

MR. HARDY. We can not help the embarrassment. If you know, let us know who he is.

MR. L'HOMMEDIEU. He was their representative at San Antonio.

MR. HARDY. Can you give his name?

MR. L'HOMMEDIEU. I think his name is Nichols—either Nichols or Nicholson.

MR. HARDY. Were you with this vessel in Baltimore?

MR. L'HOMMEDIEU. I went to New York and chartered this vessel, and loaded the vessel in Baltimore and went to Port Arthur on the boat.

MR. HARDY. And you know the facts stated about the 15-cent rate to be true?

MR. L'HOMMEDIEU. Absolutely so.

MR. HARDY. And you know that your rate to Beaumont before that was 33 cents?

Mr. L'HOMMEDIEU. Yes, sir.

Mr. HARDY. How long was it after your ship disappeared before the Gulf Steamship Co. ceased to exist?

Mr. L'HOMMEDIEU. As soon as the *El Monte* could unload her cargo.

Mr. HARDY. Is there anything else you wish to state?

Mr. L'HOMMEDIEU. That is about all, sir.

(Thereupon, at 4.15 o'clock p. m., the committee adjourned, to meet Tuesday, February 18, 1913, at 10.30 o'clock a. m.)

TUESDAY, FEBRUARY 18, 1913.

The committee met at 10.50 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Ayres, Burke of South Dakota, and Humphrey.

**FURTHER TESTIMONY OF MR. A. H. BULL, PRESIDENT OF THE
A. H. BULL STEAMSHIP CO., NEW YORK.**

The CHAIRMAN. Do you remember when you were on the stand last? It was some time the latter part of January—January 17, was it not?

Mr. BULL. Yes, sir; about that time.

The CHAIRMAN. Do you have a further statement you wish to make?

Mr. BULL. Yes, sir.

The CHAIRMAN. Very well, you may proceed.

Mr. BULL. My fight with the New York & Porto Rico Steamship Co. and the Insular Line is a small matter compared with the underlying principle that has culminated in that fight and kept it up.

The CHAIRMAN. We have discovered for you who was back of the Insular Line.

Mr. BULL. Yes, sir. We all know that soldiers living on a pension received from the United States, and their families, school teachers, orphans, and all others, who are living on a stated income are suffering or are sorely pinched by the high cost of living. In the high cost of living transportation is a very important factor, and our legislatures, through the Interstate Commerce Commission and otherwise, have to a large extent regulated transportation over railroads, but nothing sufficient has been done for water transportation, and it is a well-known fact that water transportation can be furnished much cheaper than transportation over land. However, the fact is there is no commission or any body appointed that has power of investigation or control over water carriers that the Interstate Commerce Commission has over railroads, and our legislatures have not done sufficient to keep the waterways along our coast free from monopoly and the restraint of trade. The steamship companies are left practically to do as they please. It has been shown in the testimony that they formed a strong combine and divided up the Atlantic coast and West Indies among themselves. The fight now on between the Atlantic, Gulf & West Indies Steamship Co. and the Insular Line and the Bull Line is only a repetition of what has taken place for

many decades. As far as I know, in every one of these fights the combined steamship companies, frequently with the aid of the railroads, have driven, or frozen out, or bought up, or sent into bankruptcy, or put into the hands of a receiver every independent line they have come in contact with.

That fight has really become a persecution, and the persecution is to be kept up—to use Mr. Curtis's own words—"until our whole business has turned to ashes in our hands."

Therefore, the fight of the A. H. Bull Steamship Co. is your fight—the fight of the community.

The steamship companies realize we have a small, compact plant; that our liabilities are not half what our assets are. We pay regular quarterly dividends; our stock is worth 125, and our bonds are selling at par, while that of the amalgamated lines, the Atlantic, Gulf & West Indies Co., are selling at 6 and their bonds at 61.

The CHAIRMAN. What do you say they are selling at 6?

Mr. BULL. The Atlantic, Gulf & West Indies Co.'s stock.

The CHAIRMAN. The stock is selling at 6 cents?

Mr. BULL. At 6 cents on the dollar.

The CHAIRMAN. And their bonds at what?

Mr. BULL. At 61 cents on the dollar, while ours are selling at 100 cents on the dollar.

The CHAIRMAN. And you pay quarterly dividends?

Mr. BULL. We pay quarterly dividends; yes, sir. The last sale was at 125, and that was the stock of a party who thought this competition was going to be very hurtful to our company and wished to sell out on that account. They realize, as I was saying, that we have by practice and study been enabled to build a freight boat at the lowest cost that can be run at a minimum of expense and at a maximum of efficiency, and therefore we are in a good position to give them a hard fight. If the railroads would only allow us, and other independent companies which are building the same class of boats we are, a place at their terminals, and would fairly prorate with them as they do with their favorite steamship lines, the freight rates on all commodities would be very much lowered. Besides, the railroads would have a restraint put upon them.

Now, I think a short history of the inception of the New York & Porto Rico Steamship Co. would give you a little insight and help you to read between the lines of the testimony of Messrs. Curtis and Mooney and our testimony.

About 1873 I started a sail-vessel line to Porto Rico. At that time only one or two steamers were touching there. The sail-vessel line was a success, but other steamship lines entered the business, and pretty soon there were four steamship lines running to Porto Rico. They commenced to cut the rate, which ruined my sail-vessel business, but I was enabled to keep the thing alive by employing small fishing schooners that went out after fruit. They had to buy stone ballast, which was hard to get and hard to get rid of, and therefore they were willing to take freight at a very low rate. Later on the only American line, which was running the American steamship *Jamie*, dropped out of the contest. Then another steamship dropped out, leaving two in the field. I told my partner that it was time we

started in to run steam vessels and abandon sailing vessels. He did not agree with me, but shortly afterwards another steamship line dropped out, and I said then that if he did not consent I would dissolve the partnership and go it alone. Thereupon he consented, and we started a steamer line. Immediately we did this, the other steamship line withdrew, leaving the business entirely to ourselves, and we made money for about nine months.

At the end of that time Mr. J. M. Seballus, as they told us afterward, had looked up our record and found that we had no standing in Bradstreet's and but very little money, and they said they would drive us out, or they would keep up the contest until they had ruined us. They sent a man out to Porto Rico who made a contract with all the Porto Ricans at a certain rate of freight, and that contract provided if they shipped by no other steamship company a rebate would be given them at the end of the year. That practically closed us out. We found one or two of the small dealers who had not been included in that contract and we offered to take their freight at 10 cents a barrel. Mr. Seballus sent many mutual friends to let us know that he would keep it up until we lost every dollar. I mortgaged my little house; I took the children from a private school and sent them to a public school; my wife discharged her servant and we got ready to lose every dollar we had, rather than give up the contest. I took my son and went out to Porto Rico, and I found a "monkey and a parrot time" there. The smaller merchants, receiving their freight at 10 cents a barrel, were enabled to undersell the larger ones, and the larger ones were incensed at Mr. Seballus for having got them into such a trade. In the meantime, I had been delayed in getting to Porto Rico on account of the sickness of my son at St. Thomas, and Mr. Seballus had gotten tired of the fight and offered my partner one-third of the business, subject to my approval. When I arrived home I said I could not approve, but I would accept one-half, since he had committed himself; so Mr. Seballus agreed to that and we formed the New York & Porto Rico Steamship Co., we to manage and control the business and do the business on a commission basis.

We made the rates equitable to all the merchants. A man shipping a sack of flour got the same rate per sack as the man who shipped a thousand sacks. I think all carriers ought to do the same. At first they demurred, but afterwards they saw the fairness of it and for eight years there was no competition, nor was any wanted by the merchants. At the end of that eight years the Spanish-American War came on and we were obliged to employ American steamers, as Porto Rico became a United States possession. We built two steamers, and in order to build them and finance them we were obliged to issue bonds to the extent of \$600,000. A Wall Street man offered to take those bonds at 85. My partner induced Mr. John E. Berwind to take the bonds at 86½. At this time there was considerable dissatisfaction. Mr. Seballus, president, and Mr. Berwind and Mr. Roll were criticising our management. My partner was dissatisfied because my interest was three-fifths and his only two-fifths, and he made it so uncomfortable for me that I was obliged to sell out. And to sell out, in order to get my money that I had in the business, I had to sign a bond to remain out of business for 10 years.

The CHAIRMAN. That contract was made in 1900, was it not?

Mr. BULL. Yes; I sold out in 1900. Mr. Curtis, in his testimony says that Mr. Bull was under some working arrangement with the New York & Porto Rico Steamship Co. to keep out of the business. Mr. Curtis knew perfectly well what that arrangement was, because it was made with him, as counsel for Mr. John E. Berwind. He drew up the bond himself, and even drew up the receipt which we signed in order to get our money.

That bond and agreement I kept to the letter for 10 years, and 1 year additional, and I would have been keeping it now—for I had no hankering after package freight—it is more remunerative, but with its claims, stealings, and general detail it is immensely more trouble than bulk cargoes. Now, both Mr. Mooney and Mr. Curtis have accused me of being the aggressor in this rate war, or in this fight, for Porto Rico business.

In my agreement and contract with the New York & Porto Rico Steamship Co. I was not excluded from doing a sail-vessel business. We had the business of one company in New York which had a large sugar plant in Porto Rico which did their business with sail vessels, and in about 1910 they said the sail vessels had proved so unsatisfactory that they must have steam; that they had an offer from Mr. Mooney to take their sugars by steam, but it was with the condition that his chartering department did all his business. As we did not feel that we could afford to lose that part of our brokerage business, as Mr. Mooney had already two years ago made a threat that they had acquired two steamships like ours to enter the coast business if we interfered with them, we made a contract with the sugar people to bring out their output. The first vessel we sent in ballast. The next vessel we went to Mr. Phillips, of the Insular Line, and told him that rather than inaugurate a rate war or interfere with their business we would charter them our vessels. He said he would let us know when he could see his principals. We heard that Mr. Mooney was in New Orleans, and upon his return we called upon Mr. Phillips, of the Insular Line, and asked him his reply. He said he would let us know by 12 o'clock the next day.

The next day we called on him and he said we had given him every opportunity; had treated him very nicely, but he could not give us an answer. We immediately sent out our sail cards announcing our entry into the business. The next day after that Mr. Phillips came to us and said he would charter our steamers, and he offered us even more money for them than our offer to him a few days previous. We asked Mr. Phillips what he was going to do with the Luckenbach boats. He said he would drop the Luckenbach boats. We asked him why. He said, "Because your boats are better than his." Then my son said to him, "Then, Mr. Phillips, when somebody comes along with boats better than ours you will drop us. We will continue to run our own boats." However, before we entered into the Porto Rico business, or about the same time, I wrote to Mr. John E. Berwind a letter, a copy of which I have here, and I have his reply, in which he asked me to come to his office. I did so; and I tried to convince him of the foolishness of trying to drive us out by cutting rates. I told him we had better compromise the matter now, at the beginning, as in any event we would have to do it at the end. I told him that we did not want much; that we would be satisfied with little, and

that little belonged to us. His company had never done any of the business of the sugar companies which we had contracted with, and that his company was not likely to ever do any business, if in doing it they had to take any of our ship-brokerage business. I assured Mr. Berwind that if we did go in the fight we would go in to stay, and it would be to his advantage and to ours to compromise the matter now. He seemed to agree with me, but I never heard from him after that.

After waiting a sufficient time to hear from Mr. Berwind, and not hearing from him, we were advised that Mr. Stone, of the banking firm of Hayden, Stone & Co., Boston, were the backers and bankers for the Steamship Trust—the Atlantic, Gulf & West Indies Steamship Co. We went to Boston and called on Mr. Stone and went to dinner with him. We tried to convince him of the utter uselessness of their carrying on a rate war. Mr. Curtis, in his testimony, states:

That if Mr. Bull had an offer to sell out he would not be on the route.

Now, Mr. Curtis has no reason for making any such statement. At the time Mr. Morse bought out these combined lines, Mr. Curtis sent for me, and he said: "Mr. Bull, you have the opportunity of your lifetime. Mr. Berwind has sold out the New York & Porto Rico Steamship Co. to Mr. Morse, and we can put your boats in the deal, and you can retire from business."

I said to Mr. Curtis: "I have a son in business with me and another son I am educating for the business, and if I were to sell out I would leave those boys with plenty of money and no business, and I prefer to leave them with plenty of business and no money." I further stated that under such circumstances Mr. Morse had not money enough to buy out the Bull Steamship Co.

Shortly after this Mr. Franklin D. Mooney, manager of the New York & Porto Rico Steamship Co., came to me and said if I only knew what a great thing this Morse combination was going to be, how vast a territory it was going to cover, I would sell out; that if I did not I would be very sorry. I told Mr. Mooney: "You ought to know me well enough to know that I do not know enough to be frightened; that I would not sell out." After that Mr. John E. Berwind sent a mutual friend, the Hon. Michael E. Butler, to try to induce me to sell. Mr. Butler said he thought I was making a great mistake. At any rate he wished I would go and talk it over with Mr. Berwind. I did so. Mr. Berwind said about the same thing—he said he hated for me to miss such an opportunity, but I told Mr. Berwind just as I told Mr. Curtis.

Mr. Curtis also said: "That the serious trouble with Mr. Bull is he has never had an offer." On our interview with Mr. Stone he said: "Mr. Bull, name your price and sell out." He said: "The tendency of the times is toward the forming of large corporations which lowered operating expenses and increased earnings." I told Mr. Stone that I had a son in the business and a young partner I had brought up from boyhood, of whom I thought as much of as a son. That I had other clerks and dependents that I could not sell out of a job. He said that large companies needed young men of ability, and that they would do better with a large company than I could do for them. I told him I thought young men were broadened and

developed by being in business for themselves, and that it was for their interest that I should remain. My son said afterwards: "Why do you look out for our interests? Why do you not look out for your own interests; retire and take things easy?" I told him: "You know they have already stated out in Porto Rico that we are only in this business to be bought out; that I consider any firm or steamship company that butts into a business for the sake of being bought out is akin to a blackmailer, and therefore I am not willing to retire with any such stigma upon my name."

At the close of my interview with Mr. Stone he advised me to go and see Mr. Mooney. This I did not care to do, because I had had some experience with Mr. Mooney in which he had refused to fill a contract, and I had to sue him and get judgment; therefore I dropped the matter.

Some time after this, I think in November, 1911, Mr. Curtis called me up on the telephone and said he wanted me to come around to his office and talk over the Porto Rican business. He commenced his interview by stating that while I might have the legal right in the business that I had no moral right, having once been bought out. I told him of the treatment I had received from the New York & Porto Rico Steamship Co. and of their attempt to secure a part of our chartering business, and then he admitted that I had the moral right, but said I had been very unwise, and that he would make me an offer by which I could make a good deal more money and not lose any. We had considerable discussion over it. Finally, he said he would put it in a memorandum form and hand it to me the next day. The next day he called me up and said he had it ready, and I called at his office and he handed me his memorandum offer, by which you can see he wished us to charter three of our steamers to the Insular Co. and agree not to charter any other of our fleet for the Porto Rico business. He said he had the Luckenbach steamers so bound to him and also the Dimon. We saw Mr. Curtis two or three times after this. He modified his offer, but did not make us any offer that had any attraction for us. Finally, I told him that inasmuch as Mr. Stone had advised me to go and see Mr. Mooney, I would do so and talk it over with him. I told Mr. Mooney that inasmuch as he had started the fight he was the best man to end it; that if he did not, then it might jeopardize his position as manager of the New York & Porto Rico Steamship Co. He said if he lost his position there that Mr. John E. Berwind had as good or a better one, and, besides that, he had means enough to be independent in either case; that the only way I could end competition was to charter him three steamers. His offer was practically just the same as that offer which had been made by Mr. Curtis, of the Insular Line. I told him we could not accept that offer.

The CHAIRMAN. Do you wish that memorandum to go in the record?

Mr. BULL. I think it would be just as well to have it in the record.

The CHAIRMAN. You may have it identified.

EXHIBIT 114.

1. Outward rates should be equitably reduced at least 15 per cent on the average from present P. R. Line tariff.

2. B. Co. are to charter three boats to I, for about six months, say from January 15-30 to July 15-30, two for years 1912, 1913, 1914, 1915, 1916, and one

(now building at Newport News) for same period of 1913, 1914, 1915, 1916, all as per charter parties attached.

(Rates generally to be based on D. charter of new boats at \$7,000 per month for new boats of 4,100 tons, gross carrying capacity and speed, etc., as per circular.)

2 (a). No privilege of cancellation except in case of freight war lasting at least three months in which outward rates are cut an average of at least 40 per cent from then tariffs and then only (1) upon three months' written notice, and only (2) if owners shall not upon receipt of such written notice elect in writing within — days to reduce the charter rates one-half of 1 per cent for every 1 per cent reduction in average outward rates during existence of such reduction.

3. B. firm as brokers to receive as chartering commission from I. 2½ per cent upon gross freight moneys paid upon cargo carried upon said ships so chartered from B. Co. (or, preferably, to avoid disputes, 5 per cent on charter money).

4. B. Co. to subcharter two or three vessels from I. between July 15-30 and January 15-30 for five years as per charter parties attached, etc., reverse of 11 and 11 (a) and 111.

B. to discuss substance of this provision according to his experience.

5. Present B. Co. P. R. contracts (copies attached) to be assumed and carried out by I., using B. boats as far as practicable in so doing.

6. Charters may be canceled by I., at its option, if B. (firm or company) engages in P. R. carrying trade in any form, in which case all commissions theretofore paid to B. (firm) are to be repaid to I.

7. Converse of VI, if I. or any vessel under charter to I. engages in Florida phosphate or Maine paper trade, directly or indirectly (B. to give detail for this).

8. I. to cooperate with B. in chartering vessels to be suitable for developing Maine business; the good will and business from New York to Maine, and the Florida phosphate, to be the property of B. interests as long as arrangement covered by this memorandum is in force, and whatever good will and business B. has in P. R. carrying trade to be enjoyed and exercised by I. during the same period.

Mr. BULL. Mr. Mooney then told me that as he had known me from boyhood—I had brought him into the business and given him his opportunity—he should hate to see me lose all my money, and therefore he thought it his duty to inform me that the Atlantic, Gulf & West Indies Steamship Co. had a meeting of the directors and had decided to build freight steamers like ours and were going actively into the coastwise business. I told Mr. Mooney he need have no worry about my losing money, and as for his company going into the coastwise business he could not do any more than many other independent steamship companies could have done, and it would be with them as it was with all; that if he could build a steamer that could do the business cheaper and better, he would get the business; if he could not, we would retain our hold on it. I also told Mr. Mooney that, inasmuch as he had accorded a position to the Insular Line and allowed them to have part of the business without any competition, he ought to do the same by us.

I have marked this statement, which is in contradiction to Mr. Mooney's testimony. Mr. Mooney said that he found by experience they could not satisfy everybody, that somebody had to have a part of the business and therefore they had let the Insular Line enjoy a part of it without competition. I met Mr. Mooney on the train coming to his office a little while after that and told him in order to end the fight that we might be willing to bind ourselves not to bring out more than 60,000 or 70,000 tons of sugar and have three vessels in the trade. Mr. Mooney said they might be willing to allow us

50,000 tons and two steamers, but that we must increase our freight rate the same as the Porto Rican charges. We would not do that. In my last interview with Mr. Mooney, December 2, 1911, I told him I had found we could make no contract which would have the effect of raising freight rates. Mr. Mooney's reply was, "Very well, you are the sinners in the matter absolutely, and you will have to take the consequences."

Mr. HARDY. Do you mind being interrupted at this point?

Mr. BULL. No; not at all.

Mr. HARDY. Time and again it has been testified before us that the rates were fixed in a peculiar way; conferences would get together, and if a man wanted to raise the rate he would tell the conference so, and if he wanted to lower the rate he would tell the conference so, but there never was any agreement about it; it was just simply settled on that basis, but the substance of it, as I understood it, was that no man was compelled to abide by that result. As I understand you, however, when you refused to increase rates, they tried to make you agree to do it and threatened that if you did not do it, you would have to take the consequences.

Mr. BULL. Exactly so, sir.

Mr. HARDY. Have you in any way run across this mild-mannered agreement where there was no compulsion or threat or anything of that kind, but everybody was to act on a free, agreeable plan?

Mr. BULL. I do not exactly understand you.

Mr. HARDY. Have you run across this kind of conference, where there was no compulsion, no threat, but everything was perfectly agreeable to everybody, and if it was not, it did not make any difference?

Mr. BULL. No; I never have. You see we never have been in the ring; we have never been on the inside.

One reason I have for making this extended statement is that you may compare the three testimonies and see for yourself.

Mr. HARDY. But if you had agreed to raise your rates to their rates they would have let you in, as I understand it?

Mr. BULL. So I took it; so I understood it.

In the printed testimony of Mr. Curtis I find a remark of Mr. Hardy's, as follows:

In other words, Mr. Curtis, you are fighting for your existence and property?

Now, what is Mr. Curtis's existence in the New York and Porto Rico steamship business? He could not have any existence, if he had not in some way been able to compel or induce the New York & Porto Rico Steamship Co. to let him alone. While they have fought everybody else they have let him have a certain amount of trade in peace. In other words, they have held the umbrella over the Insular Line. They fought the Peck Line until they drove it out of business. Mr. Curtis's position—the Insular Line's position—is simply that of middle man. He charts the boats of Mr. Luckenbach and of Mr. Dimon, and they make a good round profit on what he pays them and then he makes a large profit beyond that. According to his own statement he only put in \$15,000 and in a couple of years he had \$100,000. And he told me the time we entered into the business he had \$200,000 in the treasury.

As to Mr. Curtis's property in the Porto Rico business, he has none. As far as I know he has never bought or owned a steamer. At any

rate none of the steamers that he runs in the Porto Rico trade belong to him or his company while, on the other hand, we have spent over \$2,000,000 in American shipbuilding yards to the benefit of American labor—to that extent.

He says in his testimony that the steamship business had been his pastime. A very agreeable pastime.

The CHAIRMAN. And profitable?

Mr. BULL. Profitable and agreeable, with only a risk of \$15,000 in about four years to have \$200,000.

The CHAIRMAN. How do you figure that out?

Mr. BULL. I am coming to that in a minute. Mr. Curtis, in his testimony, endeavored to make it appear that his company has been in competition with the steamship combination, because one of his chartered boats had taken a cargo of sugar out of New Orleans to New York. Now, he ought to know that all the sugar coming from Louisiana must come in a month before the crop comes from Porto Rico and Cuba, and therefore the regular steamers can not carry all the sugar, and they must go out in the open market and charter independent boats.

We have ourselves taken cargoes of sugar, and so have other independent lines, and in doing so there was no thought of competition with the regular liners. Then, again, Mr. Curtis says he now has a steamer loading ties in Jacksonville, which he wishes you to understand is in competition with the Clyde liner from Jacksonville. The Clyde steamers do not carry the ties. The ties are bulk cargo, open to everybody. We carry them largely on sailing vessels. We would carry them in our steam vessels, but it is too slow, too cheap a cargo.

Shortly after I sold out my interest in the New York & Porto Rico Steamship Co. a Mr. Prince came to me and said that he was being discriminated against; that the New York & Porto Rico Steamship Co. charged him a higher rate of freight and refused to take his sugars to the sugar warehouses, and they did the same to others. He wanted to know if we could not charter him a vessel or put him in the way of getting one. I replied that, according to my bond, I could not help in that way, but I would call my late partner, Mr. Knowlton, who was then manager of the New York & Porto Rico Steamship Co., and I would see what I could do for him. I called Mr. Knowlton up. He was out, but his assistant, Mr. Wrigley, said he would communicate with him.

Shortly afterwards he said he had done so, and Mr. Knowlton said he would not do that for his father. Mr. Prince went out and started the Prince Line. He chartered a steamer, got the Porto Rico people interested, and it was quite a success. It was run for a short time, and then, I am informed, was bought off by the New York & Porto Rico Steamship Co., at which the merchants in Porto Rico were so disappointed that they raised considerable money with the determination of starting a line of their own under the management of a young man of the name of Danielson.

After we had started the competition with the New York & Porto Rico Steamship Co. Mrs. Danielson came in our office and said she was very glad to see that some steamship company that was strong enough to enter into competition with the New York & Porto Rico Steamship Co. and give them the punishment that they deserved had

been started, for they had ruined her husband and were the cause of his committing suicide. The man did commit suicide, but whether or not that was the cause I do not know. But this thing is certain, that just as soon as Mr. Curtis had bought out this Peck Line that Mr. Danielson managed the competition from the New York & Porto Rico Steamship Co. ceased, though it had been very bitter against the Peck Line.

Further than that, the Peck Line had run boats out of New Orleans to Porto Rico, and one of the captains of the Insular Line, under charter to the Peck Line, told me that on his last voyage out from New Orleans his freight list was \$24,000, which gave the Peck Line a magnificent profit. Since that time the Insular Line has run no boats out of New Orleans, showing conclusively that was one of the conditions of the arrangement between the Insular Line and the Porto Rico Line.

To further show you the close connection between these two lines there [indicating] is an advertisement I cut out of the Journal of Commerce of February 17, by which you will see the steamship *Grayson*, which is under charter to the Insular Steamship Co., is now running from New Orleans to Porto Rico for the New York & Porto Rico Steamship Co. Why does not the Insular Line run its own steamer from New Orleans to Porto Rico? Very evidently because of their agreement not to do so with the Porto Rico Co. Only a short time ago we asked Mr. Luckenbach if he would charter us a boat to run from New Orleans to Porto Rico. He said he could not do so. Of course we understood that his agreement with the Insular Line prevented him.

We have been accused by Mr. Curtis of starting this freight-cutting war. That is partly true, for when we entered in the business we found that the rates were too high. Mr. Hayden Stone, their banker, said that he told them they were holding the rates up so high that they would invite competition. We knew well that we could run ships at the price and make a nice large profit; that Mr. Curtis had made his large profit because of the high freight rate. Mr. Curtis only called me up about a month ago ostensibly in reference to a complaint he had to make against one of our agents, but in reality to renew his efforts to get us to withdraw from the business. He said he was willing now to let us have two steamers in the trade and take out 50,000 tons of sugar; that he would see Mr. Berwind and see if he could not agree to get the New York & Porto Rico Steamship Co. to join him in this arrangement. He asked me at that time if I knew what the New York & Porto Rico Steamship Co. and his company had lost since we entered the business. I told him I did not know. He said it was about from \$750,000 to \$1,000,000.

Mr. E. M. Bull in his testimony has shown that it has been impossible for us, or any other steamship company, to obtain a berth in New York for any of the Atlantic and Gulf ports, to carry general cargo or package freights. Only about two and one-half years ago the only railroad that we could find open that was independent, that would give us fair rates and a terminal, was the Bangor & Aroostook Railroad. We entered into an agreement with them to run a line to Stockton, Me., and to New York. We made a long contract with a paper company so that we could not be driven out. That con-

tract is now in existence, and we are maintaining the line. The consequence of our running that line to Stockton, Me., is that we will take out 700 cars of potatoes, a necessity of life, and on those potatoes we will save to those who handle them \$25,000 in freight. If other railroads and steamship lines will treat us and other independent steamships as fairly as the Bangor & Aroostook Railroad Co. has done, freight rates will be cheapened on canned goods, vegetables, cotton, and all the other necessities of life.

Mr. HARDY. Does that road not belong to the New York, New Haven & Hartford system?

Mr. BULL. No, sir; it does not at present.

Mr. HARDY. They gave you a square deal?

Mr. BULL. Yes, sir; they gave us a square deal, and that is all we ask.

The CHAIRMAN. What is that other railroad up there, the Maine Central?

Mr. BULL. Yes, sir; the Maine Central.

The CHAIRMAN. Their agent was here the other day and he conceded that your statement was correct, that they favored Portland and Boston because it gave the railroad the long haul.

Mr. BULL. Yes, sir.

In regard to the pier matter I asked my partner, who has that in charge, to report to me how the matter stood, and he has written a letter which I will put in the record.

The CHAIRMAN. The letter will be marked as an exhibit by the stenographer and will be inserted in the record.

(The letter was marked Exhibit No. 116, reading as follows:)

NEW YORK, February 17, 1913.

MR. A. H. BULL, *New York*.

DEAR MR. BULL: We have been trying to secure a pier in Manhattan, or part of a pier, not only for our Porto Rico business, but also where we could land potatoes on our eastern business, for over two years, and although we have seen the commissioner of docks repeatedly we have always met with the same reply, that there was absolutely nothing that he could offer us.

We have been watching the piers on the East River, and about three weeks ago succeeded in having the chairman of the pier committee of the Maritime Exchange make an arrangement for the secretary of the dock department to go up on the East River and look the situation over, which we did together, Callaghan, Norman, secretary, and the writer, which resulted in the dock department telling us if the Maritime Exchange would agree to the dock department leasing to us one-half of Pier 33, a covered pier, they would be glad to recommend it to the sinking fund, and thought it could be arranged.

It seems the Porto Rico Co. heard that we were applying for this pier. Wrigley, of the Porto Rico Co., called up several of the directors of the exchange and asked them to vote against the thing. A hearing was held before the pier committee on Friday last, and the only opposition was from Mr. Mooney, the Insular Line, and two or three lightermen, who, we understand, do all the work of the Agwi lines.

On last Saturday Mr. Wrigley started out with a petition trying to obtain signatures of the members asking that his pier be held as an open pier and be not leased to anybody.

The particular pier that we are after, while a covered pier, is one of the piers that has been set aside by an act of the legislature for the exclusive use

of transient vessels, and the dock commissioner would not recommend rescinding this without the Maritime Exchange fully standing by him in this matter, hence the necessity of taking the above action in the matter.

Yours, truly,

WILLIAM H. R. KILLEEN,
Treasurer, A. H. Bull Steamship Co.

Mr. BULL. I have recently returned from a trip to Porto Rico. On my first trip there a few years ago the merchants told me that they had been assured by the New York & Porto Rico Steamship Co. and the Insular Line that they intended to give us such a fierce rate cutting that they would drive us out in six months, and therefore if they did they would be at their mercy and they could not give us their freight. It affords me considerable satisfaction to know that nearly two years have elapsed, and we are not yet driven out.

Mr. Curtis says in his statement that Mr. Bull has the bear by the tail. There is no doubt about our having the bear by the tail, and we intend to hang on to it until we get our fair share of that bear's hide or the bear gets us.

The CHAIRMAN. Do you mean if they would give you, say, a third of the tonnage you would agree with them to restore the old, exorbitant rates?

Mr. BULL. No, sir; I do not. I mean to say that I feel I am entitled to a certain amount of trade in Porto Rico. I established the New York & Porto Rico Steamship Co. and have been in the trade all my life, and I should have a certain amount in peace, and I am going to fight for it until I get it.

The CHAIRMAN. At a reasonable rate?

Mr. BULL. At a reasonable rate, at a reasonable profit. Undoubtedly we are very insignificant alongside Mr. Curtis's bear, the steamship combine, but Mr. Curtis ought to know that a very small fly can give a very big bear a terrible sore head.

The CHAIRMAN. He is very much interested about his profits now.

Mr. BULL. Yes, sir.

I desired to get this statement before you, because I think the better you become acquainted with the steamship business the better you will be able to cope with the situation.

The CHAIRMAN. Do you entertain any doubt of the Insular Line being hand in glove with the New York & Porto Rico Steamship Co.?

Mr. BULL. None whatever. There is every evidence of that. By comparing my testimony with that of Mr. Curtis and Mr. Mooney you will see that it is confirmed by their statements.

Mr. HARDY. Mr. Bull, were you asked to give any idea that you had as to a legal remedy for the situation disclosed by your testimony?

Mr. BULL. Our counsel declared that we had a first-class case, and not only that, but that he had consulted others who are even better posted than he is, and they said there was no doubt of it.

Mr. HARDY. But that is your legal remedy against this so-called trust?

Mr. BULL. Yes.

Mr. HARDY. But what is the remedy for the people in the way of legislation, if any?

Mr. BULL. That a commission should be formed that had the same authority and power over steamships and water carriers as the Interstate Commerce Commission has over railroads.

Mr. HARDY. Over the port-to-port rates?

Mr. BULL. Over the port-to-port rates and over the situation generally.

The CHAIRMAN. How would you regulate port-to-port rates without—

Mr. BULL (interposing). I had the hope that the commission when they got at the subject would find a way. Of course we would give them all the aid we could.

The CHAIRMAN. Would you be in favor of a minimum rate?

Mr. BULL. The reason why I favor a separate commission, to have full authority over water rates, from the Interstate Commerce Commission, which has authority over rail rates, is that the situations are different. Take, for instance, on our line between Stockton and New York. We bring the papers down at a fair profit and carry the cores, which are the iron pipes that the paper is wound around, back to Stockton at a loss. The same thing is done in our trade between New York and Porto Rico. We carry the empty molasses hogsheads for little or nothing for the sake of the rate we are going to get homeward on the molasses.

The CHAIRMAN. If the Interstate Commerce Commission were to fix a rate between New York and Porto Rico what would become of the tramp steamer? That is about the only competition there is now on the ocean. Is not that true?

Mr. BULL. Yes, sir; the independent tramp steamers.

The CHAIRMAN. If they should fix a minimum rate, might they not drive out the tramp steamers?

Mr. BULL. I do not see how they can do that exactly on everything, because, as I have just stated, we carry some things out at less than cost—the cores, for instance, and empty hogsheads of molasses—for the sake of the freight home on the full cask. Then the tramps will always be able to go into Porto Rico and take out the sugar crop, because there is so much of it that two or three centrales can join and charter a tramp steamer.

Mr. HARDY. If the commission did not fix a minimum rate, what function would that commission perform?

Mr. BULL. In the first place, it could see to it that the railroads gave the tramp or independent steamship the same rate of freight from the interior to tidewater that they did their favored steamship lines.

Mr. HARDY. That would be rather a duty of the railroad commission.

Mr. BULL. All right, sir. As long as that is done I do not care by whom it is done. Then the next thing is to see that the railroads open their terminals to the tramp or freight steamer under the same terms and conditions that are open to the regular liners.

Mr. HARDY. Right there, I understand the regular lines claim to have rented here and there or leased wharves of their own.

Mr. BULL. In many cases, yes. In a great many cases, no.

Mr. HARDY. In those cases where you say "no" the railroads own the terminals?

Mr. BULL. I mean to say "yes." Supposing the railroad owns a certain plat of land on the water front. They run their sidings down on that land. You may buy land adjacent, and they would not run their sidings to you, and you can not get them to do it. We have

tried it several times. We have offered to buy land and put up our own terminals at our own expense, but the railroads have refused.

Mr. HARDY. That is, you offered to build these sidings for the railroads? You offered to build these spurs?

Mr. BULL. We offered to build our own docks, our own terminals, if the railroads would run their sidings, but they refuse to do it for any independent company.

The CHAIRMAN. I think the law covers that now. I am not sure.

Mr. BULL. I think the best way would be if a commission was formed to have the power to look thoroughly into these things. They would see for themselves the abuses, and many of us would be willing to help them out.

Mr. HARDY. Have you examined with reference to that point, or had examined by any counsel the law as it stands now, the law recently enacted?

Mr. BULL. No, sir.

The CHAIRMAN. We will pass that matter now, but I am quite sure that situation is provided for in the Panama Canal act or in the interstate-commerce act.

Mr. BULL. I have come here more to put before you the state of things as they exist.

Mr. HARDY. Let me ask you some other questions?

Mr. BULL. Yes.

Mr. HARDY. You know two facts, one is the impossibility or the difficulty of an independent line getting terminal facilities——

Mr. BULL. Yes, sir.

Mr. HARDY. And the other is the refusal of the railroads, even if you build your own wharves, to put in sidings, and give you your connections?

Mr. BULL. Yes, sir.

Mr. HARDY. Are there any other abuses which you think this commission should correct?

Mr. BULL. They are refusing to prorate with us, give us the same rates from interior points.

Mr. HARDY. Then you would have all lines given the same prorate agreements?

Mr. BULL. Yes, sir.

Mr. HARDY. But the regular lines say they do that now with everybody that will publish, under the order of the Interstate Commerce Commission, their through bills of freight.

Mr. BULL. My son showed you the letters from the railroads and steamships where they refused to do that.

Mr. HARDY. Had you published your through rates as required by the Interstate Commerce Commission?

Mr. BULL. Yes, sir; in the States of Maine and New York. We had to do that in the States of Maine and New York; yes, sir.

Mr. HARDY. Have you read Mr. Warfield's testimony?

Mr. BULL. I have not; no, sir.

Mr. HARDY. He admitted the correctness of this position of the conference lines, as he called it, and said for that reason he had sought admission to their conference, from the fact that the members of the conference all together published these rates at an immense outlay and cost, and bore the expense proportionately to their interest, but that if he alone, with a little weak line, were compelled to do the

same thing by himself, it would break him up in business. He said this conference rejected his application for membership, and thereby he was excluded from all benefits of the prorating. That was his statement. And further he said that any one member of the conference could blackball an applicant for conference membership. Is that your understanding of that situation?

Mr. BULL. We have never applied to be taken in any conference; we have always been absolutely independent.

Mr. HARDY. Have you published these through rates?

Mr. BULL. Yes, sir.

Mr. HARDY. And still do not get the prorate?

Mr. BULL. Oh, no; there are some companies that are friendly to us.

Mr. HARDY. Some railroad companies?

Mr. BULL. Some railroad companies that are friendly to us. I mean there are some steamship companies that are friendly to us and have prorates with us.

Mr. HARDY. That is the steamship companies. I am talking about the railroads. Do they prorate with you on the same terms?

Mr. BULL. Those are questions you want to ask our traffic manager, Mr. Ernest Bull.

Mr. HARDY. Do you know anything about whether, as a matter of fact, the eastern roads refuse to prorate?

Mr. BULL. No. I would rather have our traffic manager answer that question.

Mr. HARDY. You do not know about the prorating proposition?

Mr. BULL. No. Of course, I have seen his letters from the different roads. He had them here.

Mr. HARDY. It has been stated that the eastern railroads prorate alike with all the steamship companies, but the southern railroads going into ports in the interior do not prorate alike. You do not know about that?

Mr. BULL. No; I do not know that. That is a part of the business that I leave to my son entirely.

Mr. HARDY. You spoke about prorating, and you are not posted on that. Is there any other evil you would have this commission correct? You have spoken about the terminal facilities, the refusal of the railroads to build sidetracks if you build your docks, and this prorating proposition. Those are the three you have named.

Mr. BULL. Yes, sir.

Mr. HARDY. Is there any other evil to be corrected?

Mr. BULL. I do not think of any now. I would like to give that some thought and lay my conclusions before the committee later.

The CHAIRMAN. We will be very glad to have you do that. You can submit your recommendations in writing.

Mr. BULL. We will do that, sir, with pleasure.

Mr. HARDY. We want to find a remedy.

The CHAIRMAN. The law with reference to these joint tariffs is found in section 6 of the Court of Commerce act, and reads as follows:

The names of the several carriers which are parties to any joint tariff shall be specified therein, and each of the parties thereto, other than the one filing the same, shall file with the commission such evidence of concurrence therein

or acceptance thereof as may be required or approved by the commission, and where such evidence of concurrence or acceptance is filed it shall not be necessary for the carriers filing the same to also file copies of the tariffs in which they are named as parties.

That is the provision of the interstate commerce law under which the railroads and the water carriers file joint tariffs with the commission, as I understand.

Mr. BULL. Yes, sir.

The CHAIRMAN. With reference to the terminal facilities you spoke of, section 1 of the Court of Commerce act provides, in the latter part of the second paragraph:

And it shall be the duty of every carrier subject to the provisions of this act to provide and furnish such transportation upon reasonable request therefor, and to establish through routes and just and reasonable rates applicable thereto; and to provide reasonable facilities for operating such through routes and to make reasonable rules and regulations with respect to the exchange, interchange, and return of cars used therein, and for the operation of such through routes, and providing for reasonable compensation to those entitled thereto.

Mr. BULL. In most cases the railroads have their terminals in the business part of the city—it is, in fact, the only part of the city fit for terminals—and the steamboat can not get in there. She can not go anywhere to get the freight.

The CHAIRMAN. If there anything further?

Mr. BULL. No, sir; nothing further.

The CHAIRMAN. I desire to furnish for the record a communication received from Mr. F. S. Groves, president of the Philadelphia & Gulf Steamship Co. embodying his recommendations as to remedial legislation.

(The recommendations above referred to were marked "Exhibit No. 117," and are as follows:)

1. The Interstate Commerce Commission be empowered to make minimum rail rates where the railroads come into competition with water lines.

2. All water lines owned by railroads the Interstate Commerce Commission to have jurisdiction over, and all such railroad-owned lines be compelled to carry all freight at differential class and commodity rates, less than the railroads between the same points, the differentials to be fixed by the Interstate Commerce Commission.

3. The Interstate Commerce Commission be empowered to compel all railroads to allow all responsible water lines differential rates from the ports under the rail rates and pro rata with the water lines from all their interior territory.

4. All canals that handle interstate business to be placed under the jurisdiction of the Interstate Commerce Commission with authority that the commission have the right to establish maximum tolls.

The CHAIRMAN. When Mr. R. P. Schwerin, vice president and general manager of the Pacific Mail Steamship Co., the Portland & Asiatic Steamship Co., and the San Francisco & Portland Steamship Co., was on the stand, I asked him whether any rebates are allowed to shippers on freight moving from Mexican or Central American ports to the Pacific coast, particularly to San Francisco. Under date of February 14, 1913, Mr. Schwerin has addressed a letter to me, from which it appears that various rebates were given. His letter will be incorporated in the record.

(The letter above referred to was marked "Exhibit No. 118," and is as follows:)

2401-165 BROADWAY,
New York City, February 14, 1913.

Hon. J. W. ALEXANDER,

Chairman Committee on the Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: Referring to hearing before your committee on February 1, 1913: On page 1820 you ask me, "Are there any rebates allowed to shippers on freight moving from Mexican or Central American ports to the Pacific coast, particularly to San Francisco?"

I wired the traffic office of the Pacific Mail Steamship Co. in San Francisco this question, for a period of five years, and they advised me as follows:

During the coffee season of 1908 and 1909 there was a 25 per cent reduction made Central America, the San Francisco tariff being \$10. This was also effective the following season, up to January 26, 1910, when the rate was reduced to \$3. The rate on sugar, Central America-San Francisco, \$10; but for several years shipments were carried at a rate of \$5. On this special rate have occasionally made a special reduction of 50 cents per ton, the last one being made in July, 1912. Tariff rate, limes, Acapulco-San Francisco, \$10 per ton measurement, and up to September, 1911, there was a refund of \$2.50 per ton to shippers. Tariff rate on logs, Central America-San Francisco, up to April 22, 1911, was \$7.50 per ton, ship's option. On this rate a special refund of \$2.50 was made. The rate was then made \$6 with a \$1.50 refund up to September 12, 1911, since which time the \$6 has been effective.

The rate on bananas, San Blas to San Francisco, 40 cents per bunch; but owing to the fact that the Pacific Tropical Fruit Co. have very light bunches, and to enable them to make shipments, a rate of \$10 per ton weight was given this company.

Charles Butters has a special rate on shipments of ores, concentrates, and precipitates from Central America and Mazatlan to San Francisco of a refund down to net rate one-half per cent assay value.

They state that these are the only exceptions.

I believe that all other specific questions asked have been set forth in the company's written reports made to the committee.

Yours, truly,

R. P. SCHWERIN.

(Thereupon, at 12.15 o'clock p. m., the committee adjourned until Friday, February 21, 1913, at 10.30 o'clock a. m.)

THURSDAY, FEBRUARY 20, 1913.

The committee met at 11 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy and Porter.

**TESTIMONY OF MR. WILLIAM M. HOPKINS, MANAGER OF THE
TRANSPORTATION DEPARTMENT OF THE CHICAGO BOARD OF
TRADE.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Hopkins, I suggest that you proceed in your own way to make your statement to the committee.

Mr. HOPKINS. If you please, Mr. Chairman, I have not prepared a written statement of what I have to present to the committee, but I will make it as brief as possible, to the point.

I want to address myself to the feature of this bill, particularly inquiring into the extent that any vessel lines engaged in the inland

commerce are owned or controlled by the railway companies, and the effect such ownership or control has upon the inland shipping, referring particularly to the shipping on the Great Lakes.

As to the ownership, substantially 95 per cent of the railway mileage between Chicago and New York City is owned by the trunk lines, and 100 per cent is controlled by the trunk lines. That is to say, there are only two lines easterly from Buffalo—the Lackawanna Railroad and the Lehigh Valley—that are not owned or controlled, or who do not own or control lines from Buffalo west to Chicago. Those are the two independent lines easterly from Buffalo.

The CHAIRMAN. That is, the Lackawanna and—

Mr. HOPKINS. And the Lehigh Valley. Their mileage is about 5 per cent of the entire mileage. So when I say that 95 per cent of the mileage is either owned or controlled by the trunk lines, I make exception of those two lines only.

The CHAIRMAN. What lines are the trunk lines?

Mr. HOPKINS. What we term trunk lines are the Erie, the Baltimore & Ohio, the Pennsylvania, and the New York Central. Each one of those companies that I have named own or control lines west from Buffalo, so that they own or control absolutely the transportation from Chicago to New York City—Central Freight Association and Trunk Line territory. The Lehigh Valley gets a large portion of its business, as also does the Lackawanna, from connecting lines like the Pere Marquette, the Wabash, and those lines terminating at Buffalo; but the control is so largely in the hands of these other trunk lines that in substance it amounts to the entire control.

On the Great Lakes 100 per cent of the transportation of package freight is owned or controlled by these trunk lines. That is to say, you can not ship package freight on the Great Lakes except in a vessel owned or controlled by these trunk lines. Those are facts no one will deny. The result of that ownership or control is substantially this: The record taken from the Interstate Commerce Commission's review of the rates made by the railway companies—all-rail and lake and rail—for a period of 40 years, prepared and issued by the Interstate Commerce Commission, shows these facts to be true.

That in 1867 the lake and rail through rates from New York City to Chicago were 58 per cent of the all-rail rate.

In 1868 they were 67 per cent.

In 1872 they were 70 per cent.

In 1901, and from 1893 to 1901, they were 72 per cent.

From 1901 to 1907, they were 78.6 per cent, and from 1907 up to the present time, 1912, they were 82.6 per cent.

The CHAIRMAN. That is the rail and water rates?

Mr. HOPKINS. Have come closer together. They have been increased from 58 to 82 per cent, so that to-day the difference between the first-class rate, lake and rail and all-rail, from New York to Chicago is 13 cents, while in 1867 it was 84 cents.

The CHAIRMAN. At the same time we have spent millions of money out of the National Treasury deepening harbors and improving the facilities for water transportation.

Mr. HOPKINS. Yes. To make this a little more clear, the difference has been narrowed from 58 to 82, or substantially 24 per cent, from

1867 to 1912. Take the period of 1893 to 1912 where there has been no change in the all-rail rate: The first-class rate from New York City during that period has been 75 cents. In 1901 the difference between the all-rail and the lake and rail first-class rate was 21 cents. To-day it is 13. And so on in the other classes, down. That has been accomplished, not by the reduction of the all-rail rate, but by the advance of the lake and rail rates, wholly on the lake transportation end of it. That is to say, the all rail carrier, or the trunk line, gets the same earnings up to Buffalo——

The CHAIRMAN. From New York?

Mr. HOPKINS. From New York—when the property goes forward all rail, as it does when it goes forward by lake. So that the increase has been wholly on the lake, and it has been accomplished by reason of this control and monopoly by the trunk-line carriers of transportation on the lake. Do I make that clear?

The CHAIRMAN. Yes; it is very clear to me.

Mr. HOPKINS. That is the situation as to merchandise. You can not ship a pound of merchandise on the Great Lakes in any vessel except one owned or controlled by these trunk-line carriers, and the result has been that during this period the rates of transportation have not lessened but have increased, notwithstanding the fact that they ought to decrease by reason of the increased volume of business and the decreased cost of transportation.

The situation I have outlined as to merchandise is not true as to grain. The railway companies can not control the movement of grain and other bulk products. That is largely handled in what we call independent or tramp steamers, which make their rates from port to port without reference to rail transportation. But in effect the rail carriers do control the rates of transportation and take away the value of cheap transportation on the Lakes by reason of their control of the connecting rail transportation beyond the Lakes. I will show you how that is done. The rate on oats, for instance, from Chicago to Buffalo by lake is approximately 1 cent a bushel, which is substantially equivalent to 3 cents a hundred pounds, or thereabouts, when the lake insurance is added. You can transport a cargo of oats for about 3 cents a hundred pounds from Chicago to Buffalo.

As to merchandise, 100 per cent of the merchandise shipped on the Lakes is carried in vessels owned or controlled by these trunk lines. You can not ship any other way, because there are no rates any other way. I might add, what I have not already said, the reason of that is the trunk lines own the dock facilities and will not permit dock facilities to tramp steamers except at exorbitant prices; so the tramp steamers can not engage in the merchandise business. And the trunk lines exact the same revenue from Buffalo or up to Buffalo on the water-borne traffic as they do on the all-rail traffic.

Mr. HARDY. You mean that the rate from Chicago to Buffalo by water is the same that it is by rail?

Mr. HOPKINS. No. I mean that the proportion the line easterly from Buffalo earns out of their all-rail rate is the same as they earn as their proportion of the through lake and rail rate. You understand that in both cases the traffic is covered by joint through rates and out of the joint through rate the trunk line earns precisely the

same up to and from Buffalo, on the all-rail traffic, as it does on the lake and rail traffic. So that the increase on that lake and rail traffic has been wholly an increase of rates on the lake, and not of the rates of the rail carrier.

I want to make that clear in your minds, because that is just the reverse of the position we have to-day on bulk traffic, and particularly grain. I will come to that in a moment, but I want to use this illustration. On grain we have no joint through tariffs at all. They have what they call an ex lake rate. That is a rate on property coming off the Lakes which refers particularly to grain; and that ex-lake rate is materially higher than their proportion of the all-rail grain rate that they earn easterly from Buffalo. So much so that while the rates for transportation on grain are very cheap and very low from Chicago to Buffalo, the rates from Buffalo are so high as to take away the advantage of that water transportation and actually make your aggregate cost of transportation by lake and rail higher than the all-rail rate. For instance, take a cargo of oats. The port-to-port rate by the tramp steamer from Chicago to Buffalo is about 1 cent a bushel on the average, which is equivalent to about 3 cents a hundred pounds. The rate from Buffalo to Philadelphia on oats is 14 cents a hundred pounds, which, added to the 3 cents a hundred pounds, makes a through rate of 17 cents a hundred pounds, lake and rail.

The CHAIRMAN. From Chicago—

Mr. HOPKINS. From Chicago by lake to Buffalo and from Buffalo to Philadelphia by rail. Your through all-rail rate from Chicago to Philadelphia is 14 cents. So it is cheaper by 3 cents a hundred pounds all rail than it is lake and rail.

That difference is accounted for wholly by the proportion east of Buffalo, because out of that 14 cents, all rail, the line from Buffalo to Philadelphia will accept about $7\frac{1}{2}$ cents as the proportion of the all-rail rate; but when the same traffic originating at the same point and for the same transportation service from Buffalo to Philadelphia comes off the lake they want 14 cents for it. The same situation exists as to Boston.

Mr. HARDY. I would like Mr. Hopkins to point out on the map the points he speaks of.

Mr. HOPKINS (indicating on map). Here is Chicago. The lake shipments come up through the straits, down through Lake Huron into Lake Erie, and from there to Buffalo. The all-rail transportation comes from Chicago to Buffalo and then goes to the various trunk-line points—New York, Philadelphia, Baltimore, and Boston. Now, I say that the transportation service up around the lake, approximately 900 miles, costs you about 3 cents on the lake.

Mr. HARDY. Three cents a hundred pounds?

Mr. HOPKINS. Yes; 3 cents a hundred pounds. I am speaking of it on the basis of a hundred pounds. It is usually given in bushels, but I have put it in hundred pounds to make a comparison. The through rate all rail to Philadelphia from Chicago is 14 cents. Now, when the traffic goes via lake to Buffalo, as I have stated, the transportation from Buffalo to Philadelphia when the grain comes off

the lake is about 14 cents a hundred pounds; but the division of the through rate and the all-rail transportation——

Mr. HARDY. The transportation charge when it comes off the lake from Buffalo to Philadelphia is 14 cents, whereas if it is part of the through haul by rail, it is only 3 cents?

Mr. HOPKINS. No; $7\frac{1}{2}$ cents. To make up the aggregate charge you must take this 3 cents plus the 14 cents, which makes 17.

Mr. HARDY. All rail it is how much?

Mr. HOPKINS. They have a through rate of 14 cents. So by lake and rail it is 17 cents against the all-rail rate of 14 cents, or about a difference of 3 cents.

Mr. HARDY. They pay the balance after they get to Buffalo by water. If they paid the same proportion of the all-rail rate, as you represent there, it would be 3 plus $7\frac{1}{2}$?

Mr. HOPKINS. That is it.

The CHAIRMAN. By water it costs 3 cents a hundred pounds to carry it from Chicago to Buffalo. If it was carried by rail from Chicago to Buffalo, it would cost 7 cents?

Mr. HOPKINS. It is nearer 8 than 7.

The CHAIRMAN. We will say 7 and a fraction. From Buffalo to Philadelphia, if it comes off the water, it costs 14 cents. If it is carried by rail, it costs $7\frac{1}{2}$ cents?

Mr. HOPKINS. Yes, sir.

Mr. HARDY. There is possibly a justification for some of that difference by reason of the fact that via the all-rail route you do not have to reload, but simply to switch the cars.

Mr. HOPKINS. That is true in part and not true in part. You can take grain and stop it at Buffalo, put it into an elevator, keep it there for 12 months, and then take it out of the elevator and get it through on a total through charge of 14 cents. That is what they call the transit privilege for the purpose of drying it or milling it in transit, or for some other purpose. So the terminal service at Buffalo is exactly the same in that transaction as would be performed if you had two local transactions, or the transportation of grain coming off the lake and then going all rail.

Mr. HARDY. In other words, grain coming off the lake if it was put in an elevator and transshipped, the service would be exactly the same.

Mr. HOPKINS. If it was put in an elevator and transshipped it would be exactly the same, so that the transportation service would be performed to the same extent in both cases. It would not be exactly true if a shipper does not stop at Buffalo at all. If the all-rail transaction went through, then you would not have quite as much expense as you would have on the water-borne traffic. The difference would be in the terminal service, and the difference in the cost of service would be measured by the cost of the switching rate, which is approximately \$1.50 a car.

The CHAIRMAN. What would that be a hundred pounds?

Mr. HOPKINS. \$1.50 a car of 60,000 pounds——

Mr. HARDY. It would not be 60,000 pounds for oats.

Mr. HOPKINS. The minimum on oats is about 40,000 pounds. It would be about one-tenth of 1 per cent.

Mr. PORTER. Has this matter been brought to the attention of the Interstate Commerce Commission?

Mr. HOPKINS. It has.

Mr. PORTER. What decision did they make in the matter?

Mr. HOPKINS. I can give you the docket number. That was submitted to the Interstate Commerce Commission in case docket No. 8819. Their decision was adverse to our contention, and our contention and the remedy is this, to get right to the heart of the thing.

Mr. PORTER. I did not mean for him to digress, Mr. Chairman, unless you want that.

Mr. HOPKINS. I would just as soon come to it now as at any other time. The remedy we suggest is this: There should be a statute passed, or perhaps an amendment to the act, whereby the railroad companies should not be permitted to charge more for the same service on water-borne traffic, on the same commodities, than they charge on all-rail traffic.

Mr. HARDY. What is the decision of the Commerce Commission?

Mr. HOPKINS. It was adverse to our contention. That was the contention we made.

The CHAIRMAN. What was the reason given for it?

Mr. HOPKINS. We did not concur in the reasoning. The reason they gave was the water-borne traffic was local traffic to the railroad companies; that so far as the railroad companies were concerned it originated at Buffalo, and they had a right to charge more as a local transaction than they did as a portion of the through transaction. The fallacy of that—

Mr. HARDY. Mr. Hopkins, before we can get ultimately to the question about this transportation, the local and through rates must be the same where the service is the same? For instance, if goods are reloaded and handled in every physical way just the same as on the local freight, you have got to charge the same on through freight as you have on local freight?

Mr. HOPKINS. Yes, sir.

Mr. HARDY. Is not that the only way to get a final solution of the whole thing?

Mr. HOPKINS. Yes, sir; and you have touched upon a dispute between the Interstate Commerce Commission and a good many shippers. The Interstate Commerce Commission has said, and this is germane to this question, that you can not compare a local rate with the division of the through rate.

Mr. HARDY. That would be true where the through rate covered one continuous passage?

Mr. HOPKINS. Not altogether; sir. Let me point it out to you. I say that is a fallacy, and I say that for this reason, that you have two factors in any transportation service in making your rate. You have, in the first place, your cost of terminal service at either end of the route, and that is exactly the same whether the haul be long or short. Then you have the second factor, and that is the haulage charge between the terminal points. My contention is that the haulage charge is precisely the same on the local transportation as it is on the through transportation. That is to say, if you made a shipment of a carload of grain to Buffalo and then reshipped that grain

from Buffalo to New York City, and made another through shipment of grain from Chicago to New York City by the way of Buffalo, you would have exactly the same transportation service. You might have the two cars in the same train from Chicago to Buffalo, and so the haulage charge and cost of service would be precisely the same in those two transactions. Your local shipment comes to Buffalo, is taken out of the train and switched into an elevator, and subsequently reloaded and reshipped, and the aggregate charge, we will say, is 10 cents to Buffalo and 11 cents beyond, or 21 cents.

In the second transaction, the one moves out of Buffalo to New York City on this local shipment, it is put in another through train from Buffalo to New York City, and there you have exactly the same haulage charge on the same commodity as takes place on your through transaction. So that the only difference in the value of the service to the shipper and the only difference in the cost of the service to the transportation company is the difference of the cost in your terminal service as between your two local transactions and your through transaction; which, in the case I have illustrated at Buffalo, would mean a switching charge of \$1.50 to the elevator, and a switching charge of \$1.50 from the elevator and the reloading on the car. So the aggregate cost of the carriage in those two local transactions could not exceed the aggregate cost of the through transaction by more than \$3.

Mr. HARDY. To put it in another way: The aggregate cost of the two locals ought not exceed the aggregate through cost except the additional switching, etc.?

Mr. HOPKINS. Yes; beyond the additional terminal service.

Mr. HARDY. If you are going to stop there, then you have got to make the through rates the aggregate of the local rates plus any additional cost incurred by reason of transfer and transshipment?

Mr. HOPKINS. Yes, sir. It would be less. Your through rate would be the aggregate of the two local transactions, less the terminal cost on those local transactions.

Mr. HARDY. Yes. If you establish that as a principle, then you have got this thing settled, but as long as you allow all sorts of consequences and sequences to competition, and let the railroads meet the emergencies, it will just mean railroad control?

Mr. HOPKINS. Yes. The situation is exactly this: They make joint through rates on merchandise—lake and rail and all rail—because they control the entire transaction. They refuse to make joint rates on the grain traffic, because they do not control the entire transaction. But they do in fact control it by reason of this excessive charge on water-borne grain eastward from Buffalo, so that they drive the grain off the Lakes to the all-rail lines.

Mr. HARDY. Is not that what they do in all water competition? By reason of excessive local rates, do they not put water competition at such a disadvantage as to practically destroy it in a great many instances?

Mr. HOPKINS. Yes, sir.

Mr. HARDY. And they do it not by virtue of being able to perform the service cheaper than the water transportation but by virtue of

having control of the connections of the short-line hauls and water transportation; and in that way actually destroy all water transportation on the Mississippi and small streams—in fact, large streams, too.

Mr. HOPKINS. That is what I understand the situation to be to-day; but I am only speaking of the matter I am familiar with.

The CHAIRMAN. They nullify water transportation from Chicago to Buffalo by the excessive local rate from Buffalo on?

Mr. HOPKINS. Yes. It merely goes to the form of the tariff. Both are through transactions. You start a cargo of grain via the Lakes and start a cargo of grain all rail. The Lakes grain may get in and be put on the same train with the all-rail grain from Buffalo. The transportation service is the same on the same commodity. It is the same commodity, and both commodities are moved in interstate commerce.

Mr. HARDY. There is the same intermediate expenditure?

Mr. HOPKINS. There is the same expenditure at this point and the transportation service beyond.

Mr. HARDY. And yet your commerce commission says that entitles them to a higher rate?

Mr. HOPKINS. They did say it in that case. I think they are wrong.

The CHAIRMAN. Will there be any change in that when the Erie Canal has been completed through to New York?

Mr. HOPKINS. If we can judge the future by the past, it will not have any effect whatever, because the control of the Erie Canal is entirely in the hands of the railroads to-day.

Mr. HARDY. And the water transportation on the canal belongs to the railroads?

Mr. HOPKINS. Yes, sir; substantially so.

The CHAIRMAN. Although the State of New York has put an immense amount of money into it?

Mr. HOPKINS. Yes; and hoped the situation would change.

Mr. HARDY. They are doing that now on the Mississippi.

Mr. HOPKINS. I know of a new company that has been formed to build a line of steamships to navigate the Mississippi, and docks have been built at Minneapolis and St. Paul to aid that navigation. They will never make a penny out of it, because the Burlington road has a water-level line to Savannah, and the cost of transportation of the railway companies is so small that when they come in competition they can drive the river out of business and always have done it.

Mr. HARDY. And they have done it by making higher rates to intermediate points, and recouping themselves?

Mr. HOPKINS. They recoup themselves; there is no doubt about that.

Mr. HARDY. And we will have to have a law to prohibit that before any water competition can exist?

Mr. HOPKINS. In the last 20 years transportation of grain from St. Louis has declined from something like 14,000,000 or 15,000,000 to, I think, in 1910, 2,000,000. It is being driven out because the rail carrier in competition with the water make the rates so low. And there is no way to tell whether they are just or not, because we

can not segregate the cost of transportation of a commodity for a given distance. The accounts of the railways are not kept in that way. The railroads do not care to keep them in that way, but only care to know what the aggregate cost of all the service on all traffic is. What it costs to carry a particular commodity will perhaps never be known.

Mr. HARDY. And they do not care to know?

Mr. HOPKINS. I do not know, and I was in the railroad business for 25 years.

Mr. HARDY. Their only interest is in the aggregate result?

Mr. HOPKINS. That is all. What the cost is on a particular commodity they do not know. They only compile the cost of carrying the total tonnage. This is a complicated question, and perhaps we never will find out what is the cost of carrying a particular commodity a given distance. They know the net result of their operations shows a profit, although they may be carrying a particular commodity at an exceedingly low rate.

The CHAIRMAN. You know this, however, that if they carry a certain rate on a commodity parallel to the river which is 50 per cent less than on the same commodity for the same distance inland, one or the other is an unreasonable rate.

Mr. HOPKINS. We have thought so. They will take a cargo of grain from Minneapolis to Chicago, a distance of 400 miles, for $3\frac{1}{2}$ mills per ton per mile because, they say, it is in competition with Duluth, at the head of the lake. When we get out here to South Dakota, for exactly the same distance they want $8\frac{1}{2}$ mills per ton per mile for exactly the same service on the same commodity. They either make an excessive profit in one case or a loss in the other.

Mr. HARDY. Examples like that are found all over the country. The question is whether there is any remedy.

Mr. HOPKINS. What I said in regard to oats is true, more or less, as to the other grains, but not to the same extent. The transportation on oats from Chicago to Boston, lake and rail, is substantially the same as the all-rail transportation; that is to say, the through rate from Chicago to Boston is 18 cents. Out of that 18 cents all-rail the carrier from Buffalo to Boston gets 8 cents. When that same character of goods—say oats—comes to them at Buffalo off the lake they want 13 cents for it; or if you take an interior shipment, say to Albany, there is a large mill at Albany which uses a great deal of wheat there. The division which the trunk lines will take of the through rate, the division easterly of Buffalo to Albany, is 5 cents on the all-rail transaction, but when the grain comes off the lake they want 10 cents a hundred.

Mr. HARDY. I am going to stop you right there to ask this question. It may look a little strange, probably, to say that something must be done to prevent the railroads from fixing their views on the administrative body. The Interstate Commerce Commission has been, for years and years as a matter of fact, on this question, and there has been a constant driving in of the railroads' ideas about this question. They have imbibed the railroads' theories and the ridiculous part of it is that for years and years we have heard the railroad's advocates say they had a right to tax the traffic

all the traffic would bear. It is nothing more or less than the robber's maxim. Both the courts and the commission have heard that without a frown, and to-day is it not a fact that we have a commission that has so long absorbed these ideas about the railroads having the right, on local freight, to charge exorbitant sums in order to meet competition, that you must have a revolution of the machinery of the Government before you can ever get abstract principles of right applied by the Interstate Commerce Commission? They may be, and are, good men, but they have become so permeated with the railroad view of competition, that the railroad has driven traffic off the Mississippi River and to a larger extent has driven it off of the Lakes from Chicago to Buffalo, has destroyed the benefit of the Erie Canal, and taken charge of one great canal in the State of Pennsylvania—leased it for 100 years and dried it up, and ran a railroad down its bed. And in the same way, where they have come in contact with water competition, they have put it out of business and they have done it with the sanction of the various bodies that were constituted by this Government for the purpose of seeing justice done.

Is it not possible that those men have just lived under that environment until they have that view to-day? And does it not look like a perversion of reasoning? Take the very case about those oats, where the case was carried before them, and the railroads were sustained in your controversy.

Mr. HOPKINS. I will say this, that I think the commission in the case has decided it on a mistaken theory.

Mr. HARDY. That is the point I am getting at. Have they not adopted the mistaken theory and become wedded to it, so they are incapable of getting out of that rut?

Mr. HOPKINS. You must bear this in mind. There is not any class of litigation that is so complicated and complex as the adjudication of freight rates, because there is no system and no scientific basis of making freight rates. There never was any, and as the country now is there never will be any, because industries have been built up often in uneconomic locations either as to the accumulation of raw material or distributing production in that territory. Now, to make your freight rates on a scientific basis, where the rates will decrease in proportion as the distance increases—that is, absolutely defensible, but to do that you are going to ruin millions and millions of dollars of investment in this country, because the business has been built up on an entirely different basis.

You must recollect we had no law on this subject until 1906, in fact. While the interstate act has been on the statute books since 1887, it never was a law in fact until 1906, so that the constructive legislation, which the commission is doing—and it is a legislative body, not a judicial body—is a matter of just a few years and they are feeling their way along the best they can.

I wish to say, gentlemen, that, in my judgment, you have in the Interstate Commerce Commission a body of men to-day who are a tribute to American manhood. Taken out of the body politic without special training in that line of business; taken out of the different political parties—they have had the courage to say to the railroads a

few years ago when they attempted the enormous advance of freight rates: "You can not do it, because it is not fair." And you, gentlemen, do not realize the pressure brought to bear upon those men to bring about that advanced rate. They are honest, conscientious men. Sometimes they are mistaken in their views, because their views in many instances are hypothetical and not practical.

What the shipper is interested in is the aggregate cost of his transportation, and he does not care how it is made up, whether it is on a rate they call a through rate or whether it is on an ex-lake rate, or in demurrage charges, or car-service charges, or what name they see fit to give to it; but what he is interested in is the aggregate cost of transportation, and in this case the shipper says: "I do not believe I ought to pay any greater transportation charges from Buffalo to New York, because I have utilized the Lakes than I would pay if I utilized the rail service up to Buffalo."

I have only one suggestion to make in regard to the commission. I wish to say they are honest, conscientious, and hard-working men. These problems are tremendously complicated, and they are working at their solution day and night, every day in the year, except in vacation time; but you ought to have on your commission some practical railroad men to get at these things, not in a theoretical, but in a practical way.

Mr. HARDY. I wish to say that by what I said I did not intend to impugn or attack in the remotest way the personal integrity and honesty of these men, but we know that on political theories men are governed by their environment, and we know that, however honest a man may be, a theory is the hardest thing to knock out of his head. You present a matter which has frequently been presented here, namely, that rights have grown up under these practices that are wrong; in other words, based on vested rights of long custom and practice. I heard that presented on the floor of the Senate once in an argument in which it was claimed certain discriminatory rates in favor of Atlanta, Ga., ought to be maintained, although unjust toward other cities, for the reason people had moved into Atlanta and had made their investments in Atlanta on the strength of these discriminations in favor of Atlanta. In other words, they had a vested right in a wrong practice.

The CHAIRMAN. They had a vested right which grew out of a wrong practice?

Mr. HARDY. A vested right which had grown out of a wrong practice, and they therefore sought to continue a wrong practice because of their interests. Now, until you are prepared to fight that doctrine of vested rights based on wrong practices and to go straight to the right principle, you can never get relief from the conditions you are complaining of there in Chicago. But the thing that makes it difficult for Congress to act is this: Every city, like St. Louis, having the advantage of cheaper railroad rates, given in order to kill water transportation—having that advantage over all her surrounding cities—clings to that advantage and fights in Congress any law that will get down to the just principles, and whenever you attempt to adopt a just principle and a principle that wipes out discrimination in favor of these water cities, you find the representatives from every

one of those cities, from self-interest alone, just as bitterly opposed to any reform as are the railroads themselves. That is what we have to contend with. We have representatives probably from the South and from your city, that when the shoe pinches, will fight for this discrimination; we have such representatives probably from St. Louis, from Memphis, from Cincinnati, and from all those towns.

For instance, as in a case of Omaha against Lincoln, Nebr. We have those representatives, everyone fighting on this ground, while the man from an interior point like my own, where the recouping takes place and where we pay three times the rate on the freight of the same quantity and quality that they do for similar freight where they have water competition, is helpless unless the great cities will finally reach the conclusion there is something more than getting an advantageous rate. The general idea of a city like St. Louis is that they do not care what the rate is, provided they get a better rate than their competitors. Now, if you can reach the ultimate conclusion that what you want is the lowest rate, and, at the same time, the right rate for your city as related to the surrounding cities, then the whole country can march together and redeem this city and put back some transportation on the water and let the water carry its just proportion of the freights. Were that done, we would not have a condition of congestion by rail because there is no water transportation to help it out, but the whole country would be improved; also our expenditures for river and harbor improvements, and particularly for river improvements, would then be justified. But until we do have such relief we are acting the part of the foolish husbandman to throw money into the Mississippi River, and you also, in opening up your great canal from Chicago to the Mississippi in order to get your connection from Chicago to the Gulf. Such projects will be absolutely useless unless you first control the power of the railroads to kill that water transportation, either by owning boats on it or by these cutthroat, competitive methods.

The CHAIRMAN. The point Mr. Hopkins makes is this: These cities have grown up under these conditions. Take, for instance, manufacturing in New England; they do not have any coal; they have no cotton; they have no wool; all the raw material is shipped into New England; but those industries have been built up there, and they are going to fight for a low commodity rate that they may get the raw material into New England for the purpose of being manufactured. We had a representative of the New York, New Haven & Hartford Railroad Co. here the other day. That railroad is bitterly opposed to the clause in the Panama Canal bill prohibiting railroad-owned ships from going through the Panama Canal. He said:

Our interests are in New England; our plant is there; our railroads are there; our stock is owned there by the people of New England; these great industries have been built up there; and it is in our interest to make a cheap rate on cotton and coal and wool into New England to furnish these mills with the fuel and the raw material. Our existence and the existence of these factories and mills depends upon it. Now, if you apply the yard stick to New England, of course New England will have to go out of the manufacturing business in a very short time.

Mr. HOPKINS. I do not think you can do that. I think you have got to deal with these practical questions in a practical way.

The CHAIRMAN. If these great industries had been built up near the source of supply of the raw material, the cotton manufacturing would be in the South, and the wool manufacturing would be in the West, or near the source of supply, but these illogical and unnatural conditions exist, and we do not see any opportunity to change conditions as they exist in that regard.

Mr. HARDY. We had a supposed vested right in a supposed wrong in slavery. Now, if New England, or any other community, is allowed to say they have a vested right under which they may levy tribute upon the balance of the country in order to sustain the advantage given them by wrong practices, we shall never get any just regulation as long as we recognize that as a principle.

The CHAIRMAN. It is not a question of vested rights. It is not a question of abstract morality or of equity as between these different points; it is a question of selfishness that will absolutely control.

Mr. HARDY. Then it gets back to the question: Shall New England—I do not know that it applies there more than elsewhere—have cheap rates to build up her industries by imposing exorbitant rates on other portions of the country?

The CHAIRMAN. Unless the other selfish fellows get in the majority and take it away from them.

Mr. HARDY. I think it belongs to both of us, and I think we ought to stop it.

The CHAIRMAN. I say that is an ideal condition.

Mr. HARDY. I think the man contending for the simple justice of it is occupying a better position than the man who wants an unjust advantage because he had it before.

Mr. HOPKINS. The point I am making in this case is, in my judgment, the railway company has no right to take away the advantage of your location.

Mr. HARDY. That is exactly where I agree with you.

Mr. HOPKINS. They have no right to take away the advantage which comes from cheap water transportation, or whatever natural advantage comes to you by reason of location. Now, that is exactly what they have done in our case, and my judgment is that the solution lies in requiring carriers to accept the same revenue on waterborne traffic they do on all-rail traffic on like and contemporaneous services for the same commodity. I believe that is the solution of it.

Mr. HARDY. But your idea is you can not get that until the law compels the commission to give it to you?

Mr. HOPKINS. I do not know. Maybe the Panama act is going to help. The Panama act requires a divorcement between competing rail and water lines. Now, that probably would furnish the solution if that is absolutely carried out in good faith on your Mississippi River situation and on the Lakes, because then you will have competition on the Lakes between carriers of merchandise, providing the independent carrier has the opportunity to enter into competition with the other vessels, and has opportunity to use the docks at Buffalo of the all-rail carriers. Somebody must furnish some free docks there, if the Panama bill is to be of any value in this divorcement, because while the law might be complied with and the ownership between railways and water lines absolutely dissolved, it is of no practical value if the railway companies are going to let these vessels

use their docks at no charge or at a nominal charge, and deny the use of their docks to independent vessels.

Mr. HARDY. Who owns the docks at Chicago?

Mr. HOPKINS. The railway companies. There are some privately owned docks there, but for the most part they are owned by the railway companies. There are no municipal docks.

Mr. HARDY. In the case of the municipal or privately owned docks, do the railway companies furnish the same facilities for the use of them that they do for their own? Do they furnish the same connections?

Mr. HOPKINS. No; the independent carrier does not carry merchandise to-day. He can not, because he has no docks. There are some privately owned docks which he could use at Chicago, but when he gets to Buffalo he has no place to unload. All the docks are owned by the rail carriers at Buffalo, and they will not permit the use of those docks by the independent carriers, except at an exorbitant charge. The result is there is not a package of freight carried on the Lakes by the independent vessels. But in case of grain, it is taken from the elevators located on the water slips at Chicago and delivered at the elevators similarly located at Buffalo. Those are mostly independent elevators; that is, not railroad owned.

The CHAIRMAN. If Congress would provide in the rivers and harbors act that no appropriation hereafter be made to deepen any channel or harbor until the city shall regain control of and maintain independent docks, I think that would do a great deal toward solving that situation.

Mr. HOPKINS. I just wish to point to the fact that the Panama act is not going to correct this situation, so far as the transportation of bulk freight on the Lakes is concerned, because the independent carrier transporting this bulk freight has no docks to use, and we will be in precisely the same situation under this new law as we are to-day, because of this excessive charge easterly from Buffalo. That is our difficulty.

The CHAIRMAN. Certainly if the Interstate Commerce Commission permits them to absorb that differential in the increased rate from Buffalo to New York, it would not be apt to help you in that event.

Mr. HOPKINS. The only way we can obtain relief, as I see it, is the amendment of the act prohibiting the carrier to charge more on water traffic than on the same commodity on railway traffic.

Mr. HARDY. I wish you all success in that effort, if you can possibly get it.

Mr. HOPKINS. That seems to be the solution of it.

Mr. HARDY. It would be a step in the right direction.

Mr. HOPKINS. I should like to say a few words on this railroad problem, and it is a tremendous problem. There is an evolution taking place, slowly and surely, in the freight rates in this country and the manner and method of making them and the assessing of the charges. We are getting away from assessing a charge under a name merely, and we are getting more to the substance of the transaction. We speak of through rates, then section 6 provides for the separately established rate, that it shall be applicable to through shipments; then you have your local; the substance of through transportation is practically the same, and the only difference, as I have pointed out,

is the cost of terminal expenses. It does not follow because you call a thing by a particular name that is the nature of the transaction. Get through the theory to the bald fact of what the railway company does under each one of these transactions, and then analyze it. Then I believe you have to compare a rate that a carrier makes in meeting alleged water competition with another rate for the same service where that alleged water competition does not exist, because if you do not do that then you are going to put on some class of traffic an unjust burden as compared to the other class of traffic. In other words, I think we may say it is fundamentally sound that each particular commodity should pay its fair share of the total cost of transportation and no more.

Now, if by reason of alleged water competition you can carry some commodities at a very low rate, if that is below the cost of transportation, you have necessarily to recoup yourself on some other commodity by charging a rate which is unfair. My belief is the real difficulty in our railway situation to-day, and the real foundation of the prejudices of the public against the railways, is not in the operation, but it is in the financing. They are trying to earn a sum of money on fictitious valuations in excess of what they can earn and give the service. I believe the Interstate Commerce Commission must be given the power over the issuance of securities, stocks, and bonds. They must be given power over the physical operations of railways—supervision over the physical operations. They now have power only in the question of revenues. They fix the revenues of the carriers. Now, if they had the entire power over the entire situation, what we are suffering from to-day could be remedied. Hundreds of instances in the State of Illinois have come to my notice where a man has not had a car to ship a carload of grain in 30 days. We are now confronted with an advance of grain rates in Illinois, effective the 15th of March. Men have bought the grain in the country, deliverable in the month of March. They are trying to get it in before that advance is put in effect. The advance will amount to one-half a cent per bushel. They can not get cars to move the grain. The railway companies say: "We should like to furnish more cars, but we have not any more money to get them." If the commission had power over the entire railway transactions, from the financing to the physical operation, and over the rates and revenues and everything pertaining to it, then they would be in position to judge whether that is true or not. Then they would be in position to say to the railroad companies: "You do require more money; there is no question about that; but in raising that additional revenue we are going to see that it is expended where and in such a way that you will perform additional service for this additional compensation. It shall go into cars and side tracks." No such power is in the commission to-day, so as a consequence any additional revenues may be expended for some other purpose than for the benefit of the general public. I believe legislation of that character is urgently needed.

The CHAIRMAN. There was a provision similar to that in the report of the commerce bill when pending before Congress, but it was stricken out, unwisely, I think.

Mr. HARDY. You mean the provision to limit the issuance of securities?

The CHAIRMAN. Yes.

Mr. HARDY. That is as far as it went. I do not think it covered the right to supervise the character of service or anything of that kind.

The CHAIRMAN. It was to limit the issuance of stocks and bonds and to control the purposes for which they might be issued.

Mr. HOPKINS. The commission of the State of New York has more power than any regulative body of the United States—much more power than the Interstate Commerce Commission. It has power over the entire transaction—the financing of the railroads, the physical operation, and the revenues—and I think the Interstate Commerce Commission should have that power.

Mr. HARDY. That is the utility commission of New York, is it not?

Mr. HOPKINS. Yes, sir.

Mr. PORTER. May I ask a question?

Mr. HOPKINS. I have finished, except to say this one word: Somebody ought to provide docks.

Mr. PORTER. That was the question I was going to ask you about.

Mr. HOPKINS. I am not going to say whether they should be provided by the municipality, by the State, or by the General Government. There are arguments in favor of each plan. Municipalities say: "We should not be burdened with it, because the benefit to us is small." The State says: "Largely the traffic that passes over these docks is interstate traffic and not State commerce. We should not bear that burden."

The CHAIRMAN. The idea suggested was the Government ought to do it.

Mr. HOPKINS. I think it ought to be divided; that is my opinion. But it ought to be done; I think we shall all agree on that. We should have free docks in all these great lake ports.

The CHAIRMAN. The same condition exists on the seaboard.

Mr. HOPKINS. Yes. There is just one other thing, if I may take another minute. I want to show how this thing is worked in the transportation of grain. Take it in the year 1895; the quantity of oats shipped by lake from Chicago was 21 per cent of the total shipments by lake and by rail. In 1909 it was 11 per cent, and that is true proportionally of all other kinds of grain. Some years it is more and others less. Of course a man is going to ship by lake where there is any advantage at all. But the amount of the shipments by lake has been decreasing as the railways have lowered their all-rail rates and increased their ex-lake rates. Ex-lake rates were advanced in 1907, 1908, and 1911 from Buffalo to trunk-line territory. The all-rail rates were not changed in that period, except to be reduced somewhat, so they have gradually narrowed the difference that at one time existed between the lake-and-rail and the all-rail rates.

There was one time when the trunk lines—and that was when I was in the railway service—accepted the same revenue from Buffalo on grain and its products, whether it was water borne or all rail, but when they finally got control of the merchandise transportation and could not control the transportation of grain, bulk freight, they sought to accomplish, and did in fact accomplish, a control indirectly, because they could not do it directly, by advancing their rates easterly

from Buffalo, where they are so much now in excess of what they earn on the all-rail traffic.

Mr. PORTER. The inquiry I wished to make of you is this: It has been my observation all over the country, wherever river or lake improvement is attempted, the railroads have immediately secured the wharf rights. In my State of Pennsylvania they do it by condemnation proceedings. I wished to ask you if those wharf rights in Chicago were secured by the same kind of proceedings?

Mr. HOPKINS. Not to the same extent.

Mr. PORTER. I may correct that by saying by condemnation proceedings and by municipal grants.

Mr. HOPKINS. I would not undertake to say how they were secured in Chicago, because I have only been in Chicago a few years, and I do not know that detail. But they are different. The railroads own some terminals there on the waterways and there are privately-owned terminals. How the railroads acquire them I do not know.

Mr. MERRILL. I think all have been purchased.

Mr. HOPKINS. But in Duluth, for instance, there are very large ore docks and coal docks of private ownership, and large dockage facilities owned by the railway companies as well.

The CHAIRMAN. Mr. Barnes said there were no docks open for package freight at Duluth. They have the same difficulty.

Mr. HOPKINS. I think that is true.

The CHAIRMAN. He says, too, that another reason why this rate on package freight is so high is that the steamers carrying package freight use the old facilities for loading and unloading—very expensive methods. They do not use the modern methods in loading and unloading grain and other similar commodities; that the railroads own the vessels and they do not increase the facilities so that the cost would be cheapened.

Mr. HARDY. In other words, he says that the water transportation rate has been the adopted charge of the railroads, and they do not try to favor them and they do not try to increase their efficiency. They adopt the same old methods of 30 years ago of loading and unloading, and do not care whether that comes down naturally or not. They only want to fill up the railroad situation.

The CHAIRMAN. They want to shut out water competition?

Mr. HOPKINS. Yes. There are a great many excellent vessels out of service to-day because they can not make money, because they can not handle package freight and can not get enough of the bulk freight. The rate on the Lakes on bulk freight probably is as cheap as it can be made until you get larger sized vessels or some method of cheapening the cost. There is no complaint to make of the lake transportation service where the carriers can compete; but the carriers do not compete on the package freight, because they are all railroad-owned carriers and do not have to compete. They have a monopoly of it.

The CHAIRMAN. We are very much obliged to you, Mr. Hopkins, for coming, and have been very much interested in the statement you have made.

Mr. HARDY. I would like Mr. Hopkins to prepare and append to his statement, as briefly as he can condense it, the legislative remedies he would like to see put on the statute books.

Mr. HOPKINS. I will be very glad to offer my suggestions. I do not say I can furnish a panacea.

Mr. HARDY. I want you to take plenty of time and give us your suggestion about what should be done.

Mr. HOPKINS. Covering this situation?

Mr. HARDY. Yes; and any other situation covering water and rail competition.

Mr. HOPKINS. If you gentlemen will allow me, my suggestion as to a general remedy is that you give the Interstate Commerce Commission more power to cope with this particular situation. I think the remedy lies in requiring the railroads to account for their revenue, and the suggestion I offer is that you give the Interstate Commerce Commission supervisory power.

The CHAIRMAN. Make your suggestion just as broad and comprehensive as you can.

Mr. HARDY. Just as you would do if you were the legislative power.

The CHAIRMAN. Not covering this situation particularly, but the whole situation.

Mr. HOPKINS. I do not know what I would do if I were you gentlemen.

Mr. HARDY. That is what we want you to tell us.

Mr. HOPKINS. Whatever suggestions I make, I will offer for what they are worth.

TESTIMONY OF MR. J. C. F. MERRILL, SECRETARY OF THE CHICAGO BOARD OF TRADE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You may proceed.

Mr. MERRILL. In view of the statement made by Mr. Hopkins and his replies to your inquiries having brought out so fully the thought we have in mind, it will be quite unnecessary for me to take very much of your time or go over the ground again. What I shall say will not be new to you in the least; it will only be in the way, possibly, of emphasizing our thought, in order that it may be of record, that the Great Lakes highway is the most important, in view of the commerce conducted thereon and of its extent, of any other internal highway or water highway in this or any other country, and that commerce has built up the Great Lakes cities. And what we say of Chicago of very necessity applies to every one of the upper lake cities. It will be true of Milwaukee, or of around Lake Superior and Duluth and West Superior, and partially true of Manitowoc and those lesser ports which are growing rapidly in traffic. And our thought is that this great highway, which has centered the commerce at these great American cities, should be an open highway, and the full benefit of it should be derived by the people; and the acts of corporations effecting a nullification of it must be restrained by the legislative arm of the Government. We do not see any other way.

Mr. Hopkins has explained to you the contest we have had before the commission, and we have even gone further than that, and are trying it out in the courts now. Where we will get off we of course are not sure until we get a decision. But the one great central

thought remains that this great highway of commerce should be, as far as the Government can make it so, wide open in all its ramifications to all the people.

The question of docks has been referred to, and I am sure that in all of the upper lake cities there is an abundance of available space for docks—unimproved. I know it is true in Chicago that there is some little of it, and a good deal of that property, in a sense, is dead property now, by being used for purposes which do not more than pay the tax charge on the property as a revenue. It used to be utilized by the lumber interest very largely, but the northern pine has gone and that business has vanished, and what used to be a very busy part of our section, called the Twenty-second Street section, is one of inactivity now in comparison, the lumber business having gone farther northwest and no longer centering at Chicago.

I do not believe, Mr. Hopkins, that I need take any more time of the gentlemen.

Mr. HOPKINS. There is just one thought you might suggest, and that is that Chicago, strange as it may seem, handles no coal at all for distribution by water in all this territory, and the rate from Chicago is exactly the same as the rate from Duluth into Iowa and South Dakota, and yet Duluth probably handles 90 per cent of the coal, because there are no docks in Chicago to handle coal.

Mr. MERRILL. It will be entirely fair to say that that is in part due to natural conditions. You will observe that the distance to Chicago through the straits is approximately the same as down to Duluth, and consequently a boat is not much longer in reaching Duluth than it is Chicago, and all that territory contiguous to Duluth is a natural source of supply.

Mr. HOPKINS. Chicago has not any docks.

Mr. MERRILL. We could reach farther west from Chicago and some of the Northwest territory very much easier than Duluth. I do not understand you to mean, Mr. Hopkins, that we could reach down there—south of Duluth?

Mr. HOPKINS. No; the point I make is this: That the natural interests of the carriers are down in this territory—the North Western and the Milwaukee railroads. They have to run cars out here in order to bring in grain. They like to carry full cars in order to reduce the cost of transportation, and they can not do it because while the rates from Milwaukee to Chicago are the same as they are from Duluth, there are no dock facilities to handle coal, and the coal goes up to Duluth.

Mr. HARDY. Where does it originate?

Mr. HOPKINS. There is both anthracite and bituminous coal shipped up there. There are great quantities of Youghiogheny coal shipped. Of course there is coal that goes from Chicago that originates in the Illinois district and down in the Kentucky district, but I was speaking of water-borne coal.

Mr. MERRILL. Mr. Hopkins has emphasized that main point fully, which shows that the thing we are individually and personally concerned with out there is this rate to Buffalo.

Mr. HARDY. Some of the gentlemen before us have said there was plenty of tonnage space at all these cities, and some gentleman said that while apparently that is absolutely true, practically it does not

amount to anything from the fact that the railroads only make sidings up to docks controlled by them or in which they are interested, and another man might put in a dock and all the facilities he cares to buy and can not utilize it.

The CHAIRMAN. I think the Interstate Commerce Commission has control of that situation now; they can be compelled to give the facilities.

Mr. MERRILL. At Chicago the abandoned lumber docks have track facilities on them, or they did have. I do not know whether the tracks have been taken out or not, but they could be very easily replaced. I can not speak understandingly of the situation in other cities; but having tried every remedy at our command to place this Buffalo haul on an equality between both the rail and the lake and rail grain, and having failed and thereby having lost that great natural advantage, the one which caused that commerce center at that point and created that great city, has all been nullified by the act of the carriers. And having exhausted all the remedies at our command, we have come down here to suggest to this committee the advisability, in this proposed legislation, of giving that very careful consideration in order that a remedy may be effected.

**TESTIMONY OF MR. R. F. BELL, SECRETARY OF THE WHOLESALE
HARDWARE AND TRAFFIC BUREAU OF TEXAS.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You may make your statement to the committee.

Mr. BELL. There is a phase of the rate situation, so far as it applies to Texas, that we want to get this committee to give some consideration to if they can, and that is the one of perpetuating competition.

For the past five years Texas has enjoyed the benefit of competitive freight rates from New York to the port of Galveston or the Texas ports. Under that condition the commercial interests of Texas have been very greatly benefited. Take in the hardware line: We have been enabled to increase the business very materially over what it was before we had any competition, and that increase in business was due to competitive freight rates, based on circumstances that have developed in the last few years which seem to be fair to the steamship lines.

The CHAIRMAN. It is a matter of interest to the committee to know what lines they have—the independent steamship lines.

Mr. BELL. To begin with, in 1907, the Texas City Steamship Line came into existence. It was an independent line operating chartered boats, and was run by Mr. Dimon, who was the manager of the Brunswick Line. They operated the boats of the Brunswick Line under charter to Texas. They were attracted to Texas, in my opinion, by the Steel Corporation, which wanted to establish a warehouse at a Texas port to distribute their products from. A contract was made by the Steel Corporation with Mr. Dimon to haul wire nails and the American Steel & Wire Co.'s products to Texas for a period of five years at a fixed rate. That rate was much below the rate of the other lines; that is, the tariff rates. We base our conclusions as to that rate on the price of the material at Pittsburgh plus the de-

livered price at Texas common points, and on the rate from Pittsburgh to New York, and the rate from Galveston to destination in Texas. I make that explanation because I do not want it understood that I know what the contract rate was, except by making that comparison. They haul miscellaneous cargo. They hauled it at a rate, to begin with, of from 40 to 50 cents a hundred, while the old lines—the Morgan and the Mallory—were charging on the basis of about 75 cents down to about 60 cents. Under that condition the general business of Texas has grown, as I stated, very materially.

We have a peculiar condition in the fixing of freights in Texas, in that we have what we call common-point territory, and our freight rate from St. Louis to San Antonio is the same as the rate from St. Louis to Paris. The State is blanketed, and consequently the business in Texas is localized. In other words, St. Louis can come to San Antonio and compete with the San Antonio merchant just as well as it could go to Paris and compete with the Paris merchant. That condition continued, or this line continued under the operation of the Texas City Steamship Line, through Mr. Dimon, its manager, until about 1909, I think it was, and then the Mallory Line purchased the Texas City Steamship Line and took over the steel contract.

At that time the Seaboard & Gulf Steamship Line was organized. That is, the shippers of Texas felt that when the Texas City Steamship Line went into the hands of the Mallory Line our rates would be restored to what they were before. The Seaboard & Gulf Steamship Line, which is a line owned principally by the shippers of Texas, started in business—I think it was along in October, 1909, and the scale of rates that were used, I will say a year prior to the absorption of the Texas City Line—had prevailed by the Morgan and Mallory Lines up to December 16 of last year, evidencing one of two facts: They either recognized the fact that this Seaboard & Gulf Line would be a factor in the rate situation of Texas and kept their rates down, or else their rates were equitable to them. Otherwise, they would have raised the rates.

In the latter part of this year the Morgan Line organized the Gulf Steamship Co., as I understand it, to fight competition with. They were getting tired of using their big organization to fight little one-boat lines like the Seaboard & Gulf, so they organized the Gulf Steamship Co. which I understand to be a company with nothing in the world except a paper existence, and with the facilities of securing Morgan boats at any time to step into a competitive situation so that the Morgan Line will not have to cut their rates. That was evidenced in the canned-goods situation at Baltimore. I do not know of any other actual illustration of where they have carried out the purposes for which it is understood to have been organized, except that case; but I do know they went into Baltimore and hauled canned goods for 15 cents a hundred when contracts had been made by the Seaboard & Gulf on the basis of 20 cents a hundred.

The CHAIRMAN. That is the line of which Mr. Warfield is manager?

Mr. BELL. Yes, sir; the line of which Mr. Warfield is manager.

The CHAIRMAN. And has one ship?

Mr. BELL. Yes, sir; they have one steamer. They have been running it, possibly, for about two years. That line is owned—that is, the amount of cash that has been put into the line, except what Mr. Hughes put into the capital, was furnished by the shippers of Texas.

We are a little bit skeptical about the Interstate Commerce Commission. In 1907 the rail lines and likewise the steamship lines advanced the rates to Texas very materially, and the Texas shippers and the Texas Railroad Commission complained to the Interstate Commerce Commission on account of the advances. The Interstate Commerce Commission upheld the railroads in all their advances, except on the L. C. L. rates; that is, the second, third, and fourth-class L. C. L. rates.

Mr. HARDY. What does "L. C. L." stand for?

Mr. BELL. Less than carload. The Interstate Commerce Commission upheld the railroads in all the advances they made except on the second, third, and fourth-class rates.

Mr. HARDY. Was that the case in which the State of Texas, by its commission, and Mr. Mayfield appeared and made application to restrain that increase of rates?

Mr. BELL. Yes, sir. The Interstate Commerce Commission—speaking of their method of making rates, as it appears to us—do not look at the matter from a practical standpoint. We will take a case in point. The Shreveport commercial interests complained about the rates from Shreveport into Texas. They based their contention on the Texas Railroad Commission rates. The Interstate Commerce Commission ruled that the rates from Shreveport into Texas were too high. We set up this contention in that case. We said we will take, for example, a carload of ammunition originating in New York, destined to Shreveport. The rate, we will say, was 50 cents a hundred from New York to Shreveport. Then the rate from Shreveport to a point halfway between Shreveport and Dallas was 25 cents. In other words, the total cost of transporting a carload from New York to a point halfway between Shreveport and Dallas was 75 cents a hundred. Then we said, we will take a carload and bring it to Dallas. We take our carload into Dallas plus the local rate out, and we have a higher rate than the existing rate from New York to that point via Shreveport. The Interstate Commerce Commission technically contended that that question was not raised in the original complaint and could not be considered, and they go to work and widen the distance between the Dallas competitor and the Shreveport competitor.

The other gentleman mentioned about practical railroad men on the commission. It has not been our observation that the commission fixed their rates from a practical standpoint. We will take nails. At the time the Interstate Commerce Commission were considering the Texas rate cases, the rate on nails from Pittsburgh to Texas common points was 74 cents a hundred, all rail. The combination rate at that time figured 16 cents to New York, 15 cents to Galveston, and 25 cents from Galveston to Texas points—a 56-cent combination rate against a 74-cent all-rail rate, and the Interstate Commerce Commission did not take steps to put Pittsburgh in Shreveport territory or reduce the all-rail rate, so that the shipper

could have the option of the two routes—that is, either the rail or the water route.

The same thing applied on bar iron originating in Pittsburgh. I suppose you gentlemen know that the rail lines and the water lines have the territory divided on Pittsburgh. The seaboard territory is the playground for steamship lines, and a defined territory, so far as Texas is concerned, for the rail lines. The Interstate Commerce Commission recognizes the justice of that principle, yet it costs a shipper, if that principle is adhered to, the difference between 74 cents a hundred and 56 a hundred to get a carload of nails to Texas. And we say that is not right; the commission ought to step in. If they have the power to let them divide the territory, certainly they have the power to control it after it is divided.

Mr. HARDY. Do you mean by that the commission should arbitrarily make water rates and rail rates the same?

Mr. BELL. No, sir. What I mean is this: The steamship lines begin at a point slightly east of Pittsburgh and Buffalo and they say: "Our rates will apply from all points this side of there to Texas." That is what they call seaboard territory. You can go 10 miles farther west from that line and your rate to Texas is 74 cents per hundred pounds, while 10 miles east of Pittsburgh, we will say, it is 56 cents per hundred pounds. We say that the commission ought to have taken into consideration, when they fixed their rail rate into Texas, this combination, and not approved steamship rates that are based on this 74 cents per hundred pounds. You see they approved the steamship rates, and the steamship through rates are very much higher than the 56-cent rate.

Mr. HARDY. Do you mean you can get a combination of local rates cheaper than you can through rates by water and rail?

Mr. BELL. Yes, sir; the through rate; that is right. We will take Lebanon, Pa., in seaboard territory. Take the carload rate on bar iron from Lebanon to Dallas. That rate is very much higher than the combination of locals from Lebanon to Dallas.

Mr. HARDY. Why should a merchant ever ship by the through rate instead of the combination of locals?

Mr. BELL. He does not do it, but when competition goes out he has to do it. The minute the Seaboard & Gulf Steamship Line is put out of business—and that is the only competitive line we have—then what have we to do but use the through rate, because these lines have recently published a tariff that on a great many commodities will not let you use the combination, unless we have the competitive line.

Mr. HARDY. So, in that case, the combination of railroad and water interests force you to pay more than a combination of local rates?

Mr. BELL. Yes, sir; on a through rate. Or, in other words, when the rate from Lebanon, Pa., on bar iron to Dallas was approved by the Interstate Commerce Commission, the combination of locals was very much less than that through rate.

Mr. HARDY. Even suppose you lose your competition there, what is to prevent a shipper at Lebanon, wanting to send a shipment of bar iron, from localing it to New York, and thence localing it to Galveston, and thence localing it to Dallas?

Mr. BELL. They raise their New York to Galveston rates so high, you see.

Mr. HARDY. You mean the steamship lines will raise it, but have not done so yet?

Mr. BELL. They have done it on everything except the items that are controlled by the Steel Corporation. You understand where the rates are affected by this contract, iron and steel articles and stuff of that kind, the rates have all been raised.

Mr. HARDY. Everywhere else except that?

Mr. BELL. I mean on all commodities except that. The recent change in their rates makes their port-to-port rates practically paper rates—worthless, so far as their use is concerned. Now we will take the first-class rate from Boston to Dallas. We can not use the combination rate, you understand, and ship from Boston to Dallas, because the first-class rate from Boston to New York is 34 cents; the first-class rate from New York to Galveston is 75 cents; the first-class rate from Galveston to Dallas is 87 cents. There is a \$1.88 combination, you understand, to use this port-to-port tariff that they have in force now. That is \$1.88 against \$1.72; 16 cents more. Of course a man would not use the combination. In other words, they have raised this rate from New York to Galveston so high that you can not use the combination, thus forcing you to use the through rate.

Mr. HARDY. What is the difference in the water and rail rate from the all-rail rate?

Mr. BELL. There is no published all-rail rate from Boston to Dallas. There comes in the point I raised a minute ago, that they have that territory divided up and there is no through rate published from Boston to Dallas, all-rail. You can use a combination through, you understand. You might take the rate from Boston—

The CHAIRMAN (interposing). There are through rates from New York to all Texas points, are there not?

Mr. BELL. Not all-rail; no, sir.

The CHAIRMAN. But there are water and rail?

Mr. BELL. Yes, sir. There are no through rates from New York to Texas interior points. From New York proper there are no through rates from New York to Texas interior points.

The CHAIRMAN. From the seaboard territory?

Mr. BELL. Yes.

The CHAIRMAN. To Texas points?

Mr. BELL. They were the same; the same rates apply. Now, take an independent line under that condition and see what they have to haul freight for. They have to pay the full revenue up to New York and have to pay the full revenue in Texas, and the consequence is they can not haul freight, you see, and get as much money out of it as the old line will get, even on the through rate.

Mr. HARDY. Some of these witnesses who have appeared before us have testified that any line hauling goods from New York to Galveston gets the same prorate as to the eastern end of that proposition. That is, lines into New York from the south and west charge—the combination lines or the conference lines—just as much for their share of the haul as do the independent lines.

Mr. BELL. I think that is a fact.

Mr. HARDY. But when you get down to Texas, the lines going into the interior there have an arrangement by which the conference lines get a much better prorate with them than the independent line does. Why is it one end of the railroads seem to treat independent lines fairly and the other end does not?

Mr. BELL. To begin with the Texas lines are all St. Louis lines, and they do not want any low rates from Galveston to points in Texas. Of course, on their divisions they get 55 per cent of the through rate from New York. That does not give them as much as the Texas commission local rate.

Mr. HARDY. Does not what?

Mr. BELL. Fifty-five per cent of the through rate, after deducting the arbitrary up to New York, does not give a Texas rail line as much money out of the haul as the Texas Railroad Commission local rate, Galveston to that point.

Mr. HARDY. Do you mean to any point in Texas the railroads demand or receive 55 per cent of the water-and-rail haul from New York?

Mr. BELL. Yes, sir.

Mr. HARDY. Suppose it is to Houston?

Mr. BELL. Well, then they get 55 per cent of the rate from New York to Houston.

Mr. HARDY. Then that little canal from Houston to Galveston does not affect matters?

Mr. BELL. It does not amount to a row of pins. For instance, you take on the first-class rate—

Mr. HARDY (interposing). Suppose you have a shipment which goes from New York to Galveston sent up the bayou to Houston; do you not get a cheaper rate? Does that bayou line then get 55 per cent of the haul?

Mr. BELL. No, sir; there is no water line on that; there is no means of shipping from Galveston to Houston on that bayou.

Mr. HARDY. There is a water line on it, but it is owned by the Southern Pacific Railway—the Houston Direct Navigation Co.

Mr. BELL. They just operate it for their own convenience, and the shipper would not enjoy any of the benefit.

Mr. HARDY. You can not ship by that?

Mr. BELL. No, sir.

Mr. HARDY. Let us get at that a little bit more in detail, as to why this southern connection is run on one basis and the eastern on the other. The capital invested in those roads from the south coast of Texas to the interior—the Missouri, Kansas & Texas, and the Houston & Texas Central Railroad—those companies are all owned elsewhere than in St. Louis, are they not?

Mr. BELL. I know; but we know them as St. Louis lines, and we know by the adjustment of rates that they have made there for the last 20 years that every adjustment they make has a tendency to force business to St. Louis. I have been going before the Southwestern Tariff Committee for the last 15 years myself, and I know it is almost a matter of impossibility to get any adjustment of rates to Texas that favors the Texas commercial interests. To give you an idea of that: For instance, we will take the rate on galvanized ware, just to show you the injustice of it. The carload rate on galvanized ware, St. Louis to any common point in Texas, is 88 cents.

Mr. HARDY. What do you mean by any common point?

Mr. BELL. I mean any point in Texas, except, I will say, El Paso, Amarillo, Brownsville, or other points on the extreme border of the State.

Mr. HARDY. It is higher there, then?

Mr. BELL. It is a higher differential.

Mr. HARDY. All Texas is common-point territory and has an 88-cent rate, except the extreme western section. Is that the fact?

Mr. BELL. Yes, sir; that is the rate in carloads. The less-than-carload rate on that stuff is \$1.04 to any point in Texas, a difference of only 16 cents per hundred pounds between the carload and less-than-carload rate. Now, these were the rates that were put in by the railroads in 1907. They are the rates that were approved by the Interstate Commerce Commission, and if this competition had not come in from New York to Texas there would not have been a man in the State of Texas who could job any goods or distribute any goods of that kind in Texas, because he can not go any distance on 16 cents. He could not go out of the corporate limits of a town.

As I said in the beginning, we are skeptical of the Interstate Commerce Commission's actions. We base that skepticism on what they have done. They have shouldered rates on us which would absolutely kill the commercial interests of Texas if we did not have competition. Now, if they are going to make any laws to control the steamship lines, let it be one that will perpetuate competition. If a man wants to go into the steamship business and operate it, and has money to do it at a loss, let him do it; but I do not believe there is a man in the United States fool enough, if he had a million dollars, to put it in a boat. A hundred shippers might do it, because they can furnish the tonnage themselves. As I noticed in Mr. Warfield's testimony, a good many of the canned-goods dealers in Texas stood by him, and they let him haul their canned goods at 20 cents, although the Morgan and Mallory Lines begged them for the business at 15 cents.

If you have 100 or 500 men, it is all right. What we have tried to do in Texas was to get together four or five hundred shippers and put in a line to haul freight at reasonable rates, based on the cost of service; then we figured the shippers on the line could furnish the tonnage. That is what we must have. A line which has not the shippers back of it can not get the tonnage at all. It is a physical impossibility to get tonnage unless you have a man financially interested in the line. I have been in New York two years handling freight for different Texas shippers; that is, looking after the traffic end of the business for the hardware jobbers, and I want to tell you gentlemen that if you did not have the people interested in the line. Morgan and Mallory would not let them have a pound of freight. They could not get it.

Mr. HARDY. Let me ask you this. Is not human nature so constituted that even if you had 500 shippers of canned goods, we will say, all interested in a boat to make those shipments, would you not find some of your strongest men, as soon as the Morgan Line put a 15-cent rate into effect, dropping out of your arrangement and shipping at the 15-cent rate?

Mr. BELL. Absolutely so.

Mr. HARDY. Can you depend on any such agreement as that to face the music and stand for the higher rate in order to keep the future provided for?

Mr. BELL. There is but one way you can do it and that is to fix it so if the man does not patronize it he is going to lose money. You have to put a latchstring on his pocketbook. If you do not he will get away from you the very minute he can get a lower rate. Ninety-nine out of a hundred men will get away from you the very moment some one else quotes a rate 2 cents lower. If you have him tied up, if you have his money so he has an interest to protect, he will stay by the line. And, as I said a moment ago, you take the concerns that put their money in the Seaboard & Gulf, I notice they are patronizing the Seaboard & Gulf.

Mr. HARDY. They must patronize it very little from the amount of tonnage it has.

Mr. BELL. That is true; but they only sail a boat once a month, or about once every six weeks, you might say.

Mr. HARDY. If they genuinely, consistently, and persistently patronized it they could have half a dozen boats, could they not?

Mr. BELL. They could.

Mr. HARDY. In other words, does not that very incident show the impossibility of combining men along the lines you speak of so they will stick to it, even though lower rates are offered them?

Mr. BELL. You have to tie them up. I just want to close with this statement: The strongest evidence we have that the port-to-port rates to Texas are right is the fact that they have been continued for nearly three years on the basis they were three years ago, or else they have been continued for the purpose of keeping the Seaboard & Gulf Steamship Line from getting any footing or basis upon which it could become a permanent factor in the situation.

Mr. HARDY. You await now the day when Mr. Warfield will be taken in or disposed of or bought out or something of that kind for your final calamity to befall you?

The CHAIRMAN. You will be looking out for another steamship agent?

Mr. BELL. I have no personal interest in the Seaboard & Gulf. My interest is in the general rate situation.

(Thereupon, at 1 o'clock p. m., the committee adjourned until Friday, February 21, 1913, at 10.30 o'clock a. m.)

FRIDAY, FEBRUARY 21, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Barnhart, Post, and Stephens.

The CHAIRMAN. I desire to put a letter in the record from Funch, Edye & Co., New York, February 13, 1913, which furnishes data requested by the committee heretofore with reference to the number of sailings from New York to South American ports.

(The letter referred to was marked by the stenographer "Exhibit No. 119," and is as follows:)

NEW YORK, February 19, 1913.

HON. JOSHUA W. ALEXANDER,

Chairman Committee on the Merchant Marine and Fisheries,

Washington, D. C.

DEAR SIR: When appearing before your committee I promised to furnish the sailings from New York to South American ports. I now beg to inclose lists giving the sailings during 1912, as follows:

	Sailings.
Royal Dutch West India Mail, main line, showing.....	26
Royal Dutch West India Mail, Paramaribo service, showing.....	33
Hamburg-American Line, Atlas service, showing.....	53
United Fruit Co., sailings for Colombia, showing.....	51
A. E. Outerbridge & Co., for British Guiana, showing.....	26
Red D Line, for Venezuela, showing.....	62
Booth Line, for north Brazil, showing.....	45
Lloyd Bralzeiro, Brazilian ports, showing.....	30
Hamburg-South American Steamship Co. and Hamburg-American Line, joint Brazil ports, showing.....	18
Lamport & Holt Line, Brazilian ports, showing.....	25
Prince Line, Brazilian ports, showing.....	23
Several lines for Argentine, compiled by Messrs. Barber & Co., showing.....	158
Total sailings.....	545

This compares with 493 departures three years ago, as stated by me when I appeared before the Steenerson committee. The ships of to-day are much bigger than they were three years ago.

I have likewise promised to secure sailings from Europe, and beg to say that I have some of them, and as soon as I have a complete list I shall submit the same to your committee.

I beg respectfully to request that the number of departures from this country to South America as furnished above be made a part of your record.

Yours, faithfully,

PAUL GOTTHEIL,
Chairman of Committee.

STATEMENT OF MR. B. N. BAKER, RETIRED STEAMSHIP MAN, BALTIMORE, MD.

The CHAIRMAN. Mr. Baker, we shall be glad if you will make a preliminary statement in your own way.

MR. BAKER. I am simply here to answer any questions. I would only say that a long experience in the oversea business has led me to believe that possibly I could be of some assistance to the committee in solving this very interesting problem of international transportation. I had prepared no definite statement, but have come prepared to answer any questions, Judge, along any particular lines that you feel I could be of the slightest service.

The CHAIRMAN. As you have had many years' experience in the oversea trade and you understand the conditions as they exist to-day, we shall be very glad if you will suggest to the committee what you may regard as necessary, if anything, in the way of legislation to promote our foreign commerce or to correct abuses alleged to exist to-day.

MR. BAKER. With regard to the international commerce, there is no question whatever that pools and combinations are in existence. At times—not very often, I am glad to say, from experience in the business—it has led to unjust and unreasonable discriminations, and particularly has given at times opportunities to punish shippers or

certain sections, and very often communities would be sacrificed for the benefit of others. But that has not been the general rule.

The nations of the world to-day in the control of their merchant marines, while not officially approving of many of the pools and combinations, at the same time have not prohibited them. It was the subject of investigation a good many years ago. We had in our own company, the Atlantic Transport Co. (Ltd.), a very interesting experience in trying to get into the passenger business. The passenger pooling combination determined they would not admit us, and they even carried the difficulty so far as to absolutely prohibit any agent in any city in Europe, booking passengers by any of the combined lines, from booking a passenger by the Atlantic Transport Co. That meant simply that in every city where we wished to have an agency it was necessary for us to have our own agents.

To overcome that difficulty we bought out what was then known as Gaze's Tourist Agency, which had established passenger agencies all over Europe. In that way we were enabled to have in every large city, both on the Continent and in Great Britain, offices especially for developing passenger travel by the Atlantic Transport Co. That resulted in their taking us into the agreement and allowing their agents to act. That was one of the difficulties.

The subject has been under discussion in England. There has been a great deal of dissatisfaction there with many of the pools and combinations, and particularly with the rebate system, which we at one time adopted—the system of paying a certain percentage on shipments at the end of the year for each previous 12 months, provided they had not shipped a ton of cargo by any competitor or any tramp ship or any ship loading on the berth.

Naturally the average merchant and shipper desires the greatest liberty in the conduct of his business, and it has created a great deal of feeling. It resulted in an investigation, in England, and the point was frequently brought up that as all other nations were allowing their merchant marine to form pools and combinations it would be very difficult for England to stand alone and prohibit the English companies from carrying out many of the pooling arrangements that they were a party to. In Germany there has been some agitation. I have just returned from Germany; I was there on the 2nd of December, and there is a great deal of feeling. I think there is a desire on the part of the Germans for some regulation.

Now, this leads me to suggest as a possible remedy what I believe would be very acceptable coming from the United States; that is, to invite the cooperation of the principal maritime nations in regulating the laws governing international commerce. If that could be brought about through our diplomatic relations I feel sure that both England and Germany, and I feel pretty sure Austria, too, with the difficulties that are going on there now with the Canadian Steamship Co. from Trieste, would welcome such an arrangement, and that it would probably produce good results.

The CHAIRMAN. That is, if we should take the initiative in indicating our willingness to call and participate in an international conference for the purpose of having uniform laws on this question of rebates and pooling?

Mr. BAKER. Yes. You see, the United States, particularly in international commerce, have so little interest. Take it in the north

Atlantic to-day, what we might call the competitive north Atlantic commerce; there are only four ships in that trade under the American flag and only two of them American ships—ships built in America.

Mr. HARDY. What ships are those?

Mr. BAKER. They have only two ships, the *St. Paul* and the *St. Louis*.

Mr. HARDY. What trade is that?

Mr. BAKER. Between New York and Southampton in the north Atlantic international commerce. The other two ships that are under the American flag are one that was originally called the *Paris* and is now called the *Philadelphia*, and the *New York*. The *New York* and *Paris* were both built on the Clyde—they are English-built ships—and were admitted under our flag under the act of March 3, 1891.

From my experience I am safe in saying they would welcome such a conference, but in taking up that question a great deal of thought must be given it. I believe it to be very necessary and desirable, and if it can be brought about, that some legalized pooling arrangements be made. You see, we can, through the Interstate Commerce Commission—and I want to touch later on our coastwise commerce—regulate all those questions. But if the Interstate Commerce Commission had three lines of railroads running across the continent, and just 10 miles north or 10 miles south they had a line run by Germany and a line run by England not under the jurisdiction of the laws of the United States they would have a much more difficult problem to deal with. That is the problem in the north Atlantic.

And so, first and most important, is to get an international agreement. In that international agreement, if our Congress and people would approach it in a broad, liberal way and realize that, although contrary to our general policies, a different condition exists in the over-sea transportation from what exists in our interstate commerce, and would meet that question of the allowing of pools and agreements strictly under the law, it would benefit our country very materially. It would prevent the so-called putting on of a fighting ship to prevent any possibility of any American interests starting a line to some foreign port. That has been done, and it has been done in a quiet way, but it is very difficult competition to attempt to fight where the losses of your competitor are divided among an enormous number of interests. It is a competition that is almost impossible to fight.

The CHAIRMAN. In your experience, to what extent have these fighting ships been employed?

Mr. BAKER. It is very hard to say. You see, I have been out of the business for some years. Now, for instance, the Atlantic Transport Co. used to carry all the Bass's ale. We made an allowance of about 10 per cent reduction on the rate provided the Bass's ale people would ship no ale but by the Atlantic Transport Co. At that time some one would now and then put on a ship to load from London to New York—our particular trade. We would not hesitate to refuse the Bass's people their commissions on that at that time. I am not thoroughly familiar with a condition which I believe has just been going on—the Uranium Steamship Co. There has been, I have understood, a direct division of the loss among the joint lines.

The CHAIRMAN. I understand that has been testified to in a recent Government suit?

Mr. BAKER. Yes; I think so. I have not read that testimony, but they are preparing, and a meeting was held in Berlin within the last few weeks, to take up the question of putting on a fighting ship in the Trieste-Montreal service, which they are just about to inaugurate, and it can so easily be done. I think the only way that can be regulated is by some international agreement on commerce. For instance, if the rates, as I understand, have been reduced from Trieste to Montreal from \$40 to \$20, that means the diverting of an enormous amount of immigration from the United States direct to Canada. Whether it is a desirable class of immigrants, I do not know, but I believe our laws fully protect us now; and if so, that is where our country would be at a disadvantage; that is something over which we would have no possible control, and the very low rate will possibly result in bringing in a very undesirable class. International agreements would control that.

Mr. HARDY. I wish you would give clearly the proposition to employ this fighting ship in order to meet the proposed establishment of a new line, as you understand it.

Mr. BAKER. Well, I am not very familiar—

Mr. HARDY. So that the layman can get a clear comprehension of it.

Mr. BAKER. Take, now, for instance, the rate to-day from Trieste to Montreal—and I am giving you just the figures from memory—

Mr. HARDY. All I wanted is a general statement.

Mr. BAKER (continuing). Is \$40 an emigrant passenger. The Canadian Government and the Canadian railroad interests are very anxious to develop the territory along their line with emigrants as settlers; so they agree with the Austrian Government that a certain portion of business is wanted and will be carried from Trieste to Montreal. The different steamship companies representing them—you have a list of them, the International Mercantile Marine, our own American company, the Hamburg-American Packet Co., the North German Lloyd, and all the different steamship lines—as I understand their way of working it, and the way they would work it, is to say, "Here, the day that the steamer sails from Trieste to Montreal we will put on another steamer, and we will cut the rate down to \$20 a passenger." There is, therefore, a heavy loss in carrying those passengers. There is no profit in it. That loss will be divided pro rata among these different companies, so that one company running its steamers from Trieste has not to fight a natural competitor but a combined competitor consisting of all the lines in what is called generally the Cologne conference.

Mr. HARDY. You mean the day that the Canadian steamer sails they will have that low rate in effect?

Mr. BAKER. Yes.

Mr. HARDY. But on the other days they will have their regular rates?

Mr. BAKER. Regular rates.

The CHAIRMAN. Right here I will state that it has already been shown before the committee that there is a corporation organized in Germany. I do not recall the capital stock, but the shares are owned by the great German steamship companies in proportion to their

capital stock. That company has ships employed for this very purpose, and undoubtedly they will be used in this case to fight the Canadian Pacific.

Mr. BAKER. Yes; it has always been so.

The CHAIRMAN. It was not organized for profit, but organized for offensive purposes.

Mr. BAKER. Some years ago when I was in the business we proposed at one time the running of a line from New York to Liverpool. Of course, the main line running at that time and now from New York to Liverpool is the White Star Line. I will not say we were threatened, but it was intimated to us very clearly that if we did that we would have to fight the New York-Liverpool Steamship Co. and also the Boston-Liverpool Steamship Co. and the Montreal-Liverpool Steamship Co. and every other steamship company, and they would divide the loss in beating us. We thought it more prudent just to stay out of it. That was the condition.

I do not think that is right, but I think that can only be regulated by international agreements. I hardly think that our Congress would undertake to pass the laws as to jurisdiction over the foreign steamship companies, particularly on outward business. They can penalize and prevent them from using ports, probably; but remember, gentlemen, we have no merchant marine. If we prohibit the use of the port to all foreign lines in the combine unless they would withdraw, and then they can make their arrangements, and if their own Government and the laws approve it, it seems to me that we would have a pretty difficult problem to face in making such regulations.

Mr. HARDY. You know we have a law on the statute books preventing ships entering our port who are guilty of violation of the Sherman antitrust law?

Mr. BAKER. Yes; I am coming to that in a few minutes.

If you were to rule out to-day, in my opinion, every single steamer or company owning a steamer that violated that law, you would have no foreign commerce. I am quite sure of that.

The CHAIRMAN. But, Mr. Baker, suppose the Congress should pass a law by which the foreign companies would be compelled to file their agreements with the Interstate Commerce Commission, or some other commission, and penalize them if they fail to do so? That would not be a harsh provision.

Mr. BAKER. No; I do not think any of the companies would object to doing it, as I understand it from my talks with them. I am only an outside and academic man, but I think they are only too glad to meet you in that way and file all the agreements; and, in many cases, they are just as desirous of having laws, because they suffer from a knowledge of what can be done at times, too, and they suffer in the development of commerce in a way that is an injury to them, and it reduces the volume of freight which they often need. As to fixing a hard and fast rule, as you do with the railroads, of naming a rate to certain ports in ocean transportation, it is totally impracticable, gentlemen. I have many times gone out and bought grain and taken it over without any rate, because it was more economical to do it, and to load my ship down to its marks. We had to have the weight freight to go with our measurement cargo; and, then, also, we sold that grain again at a loss. A similar condition might exist to

England from the Black Sea or from the Argentine. You must be in a position as to steamship rates to meet those conditions at a moment's notice, as they vary from day to day. Take the grain and flour traffic, and a great many of the commodities in which it is absolutely necessary to make alterations in rates from time to time. I think you are perfectly just and reasonable and that the steamship companies would regard it as a very reasonable request that they file all the agreements and conditions they have made, and I do not know of any company that would not be willing to do it.

The CHAIRMAN. Including contracts with shippers?

Mr. BAKER. Yes.

The CHAIRMAN. It would be fair also if the law provided they should not discriminate between shippers?

Mr. BAKER. Under exactly similar circumstances. I am a steamship man, and we will suppose I am loading my ship. I have so much space left; I can carry so much measurement cargo, but not any weight cargo. If I send that ship over with all that space vacant, it is all dead loss and I get no revenue from it. The steamship man is frequently forced into that position, and he finds some one who has a large amount of measurement cargo. The ideal lading for a ship is "lead and feathers." The question of the loading of a ship in the matter of profit or loss very often depends upon the man who designates just where the cargo is to go, and what proportion of different kinds of cargoes shall go in her. We are in that position. What is the steamship company to do? To send that ship away not filled will not only at times entail a risk to the ship, but also a risk to all the other cargo, because the cargo in a ship must be what is called "dunnage," and must be packed so it can not move about, because if there is a large shifting of cargo there will be damages and heavy claims. Oftentimes it would pay to go out and take a hundred tons of measurement cargo at any rate. It would not be a question of revenue or discrimination, but it is a question of meeting actual business—physical conditions which must be met. So you could not make a hard and fast rule to govern it in the oversea transportation, as you could in the coastwise business or in transcontinental rates. There is a different situation there.

Mr. HARDY. Would not that exemption actually destroy any possible effort at regulation at all, because while you say these conditions exist, it would nevertheless enable a company that saw proper to always meet any charge of discriminations by saying conditions were different?

Mr. BAKER. Yes.

Mr. HARDY. So that practically, if you are right, you can make no law prohibiting discriminations?

Mr. BAKER. It is practically so, Judge Hardy. You might—I am not a lawyer—but it seems to me you might have all those contracts filed, and if you found an unjust exercise of that right, penalize them; they would not hesitate to comply.

Mr. HARDY. I have in mind the fact that the interstate commerce act first provided there should be no greater charge for a short haul than a long haul, with this parenthesis, "provided conditions are similar." The result of that little parenthesis was that they never could find conditions similar, and therefore made the charge for the

short haul as they saw proper, and they never could do anything with them.

Mr. BAKER. You will find exactly that same condition, in a different way, in ocean transportation, with this additional difficulty: Your unit of transportation by railroad is the railroad car, and your unit of transportation by water is the total capacity of that ship. We can not cut off so many feet, like the railroad can, and leave it in New York if we do not want to use it.

Mr. HARDY. In other words, this exception in the ocean freight business would be far more effective in destroying any provision of the law along that line than it is in the railroad business?

Mr. BAKER. Yes. I do not know of any one of the companies that would not be willing to file with you the facts in every case in which that is done just as rapidly as possible, but you must in any legislation that you pass, in my opinion—I have not a dollar's interest in it that would be affected in any way, but quite the reverse—you must give them free hands. There is a new spirit in this country of wanting to meet these conditions and meet the Government's legislation, in reaching what I may call fairer business methods, and no one is more impressed with it than the average transportation man, particularly the water-transportation man.

The CHAIRMAN. You say that you do not think these water carriers would object to filing these agreements with the shippers with the Interstate Commerce Commission?

Mr. BAKER. Yes.

The CHAIRMAN. Would you not want them to be confidential?

Mr. BAKER. With the Interstate Commerce Commission?

The CHAIRMAN. Yes.

Mr. BAKER. I do not think so.

The CHAIRMAN. You do not think so?

Mr. BAKER. No; they would not want a competitor to go in and rake over all the business contracts they had made. I think they would be perfectly willing to make them public. When I say "make them public," I do not mean to advertise them all over the country, but that they should be open to anyone who has the just cause of grievance against them. Then, I think, too, to get back to this international question of abolishing all the question of the rebates and these fighting ships. That, you can do; there will be no trouble about prohibiting that, I think, by international agreement, and that is the most objectionable feature of the business.

The experience which the gentleman spoke of here—I read the testimony very carefully—from New Orleans down to South America. James W. Porch was at the head of that line, and I had a long talk with him when he passed the bill through the Louisiana Legislature giving him exemption of taxation for the formation of a steamship company which must run from the Louisiana port, and when they got down there, it was almost impossible for them to get the coffee. The steamship business in the past few years has been very profitable; it is now, but within the recent past they have had a great deal of trouble to make money, except those companies which have had unlimited resources and faced no fixed charges on bonds. The last three years have been very profitable; prior to that it was very hard sledding, in spite of all these agreements. It was foolish for

them to expect to run a chartered ship from New Orleans down to a port in Brazil and get a full cargo of coffee back. Coffee is a very valuable cargo and moves at certain times and only on orders, and is sold, as I understand it, on certain deliveries, and I told them they would never be able to get it. They expected to get quite a large subsidy from the Brazilian Government, which would have helped in doing it; and then they hoped to get, under the mail-contract act of March 3, 1891, some assistance from our Government, but it was started in a way that could not help but be unprofitable. This coffee shipper would not have coffee coming that way.

I would be glad to answer any questions to the best of my ability.

The CHAIRMAN. You take the case you have mentioned of the Canadian Pacific, which has entered into an agreement with the Austrian Government with reference to the emigrant business from Trieste?

Mr. BAKER. Yes.

The CHAIRMAN. They cut the rate?

Mr. BAKER. Yes.

The CHAIRMAN. Of course, the other lines——

Mr. BAKER. They did not want to cut the rates.

The CHAIRMAN. The other lines should have the right to cut the rate, too?

Mr. BAKER. Yes.

The CHAIRMAN. They use the fighting ship to prevent the cutting of the rate?

Mr. BAKER. Yes.

The CHAIRMAN. If we have a law prohibiting these lines from employing fighting ships, each company would then have to act independently in the cutting of a rate?

Mr. BAKER. Yes.

The CHAIRMAN. Your notion is that the law should prohibit the combination?

Mr. BAKER. Yes.

The CHAIRMAN. But, of course, you would not have the law prevent one company from cutting the rate made by another?

Mr. BAKER. Not by any means, but prevent unjust combination so as to give any man or steamship company a fair chance.

Mr. HARDY. That is, prevent the division of the losses?

Mr. BAKER. That is it. Many a man can stand up in fair competition with another man, but he does not want to stand in competition with the United States Government. There is a combination of all the men in the country. Take that particular case, Judge Alexander, there is no desire on the part of the Canadian Government or the Canadian Steamship Line to cut the rate, but they want to get the emigrants. The combined lines, to force them into a pooling agreement, go in and cut the rate down until it is an absurd figure, so that they can allot. What will finally happen? They will say we will never run that Government line off. "We will give you so many emigrants from Trieste to Canada"—don't you see—"allow them to you, provided you charge the full rate." That is what has happened in each competition that was powerful enough to contend with the combined interests.

Mr. HARDY. It would lead to pooling, after all?

Mr. BAKER. That is it. You ought to have some regulation of those conditions through international agreement, in my opinion, and I think it can be brought about.

Mr. HARDY. How long do you suppose it would take for a dozen important governments to reach an agreement, that agreement being fought by interested parties in each of the several governments?

Mr. BAKER. They would all be fighting for the same thing, Judge Hardy; they want it. The different governments are just as anxious to reach an agreement and have this regulated as we are, and I do not think it would take very long; say not over a year.

Mr. HARDY. Do you have in mind that it takes this Government alone a period of years—a number of years, generally—to accomplish any definite legislation affecting a very great interest?

Mr. BAKER. I know that.

Mr. HARDY. When you come to a combination of governments, how long would it take to form a workable agreement?

Mr. BAKER. It would take time, of course.

Mr. HARDY. We would all be in our graves waiting for it in due course?

Mr. BAKER. I do not know. I hope we will live longer than that.

Mr. HARDY. I wish you long life.

Mr. BAKER. It will all have a tendency to better these conditions. England has already had it.

Mr. BAKER. About two years ago, I think, was it not?

Mr. HARDY. How many years ago?

Dr. HUEBNER. In 1908.

Mr. BAKER. 1908; that is three years.

Mr. HARDY. That commission's report has been on file and has gone into a state of innocuous desuetude long ago, has it not?

Mr. BAKER. I took that up with one of the present members of the British Government in December, and asked him why they did not do anything. He said, "Why, Germany would not do anything."

Mr. HARDY. Was not their own report against the desirability of it?

Mr. BAKER. No; it was not desirable as long as Germany had free hands with her steamship companies, and Norway and Italy and the other foreign countries, but I asked him, "Why in the world did you not invite Germany to cooperate?" "Well," he said, "you would never get England's merchant marine to invite Germany to cooperate, because it is the one very keen subject of competition between the two nations." Still it is not hopeless, and I do not see any other way to do, do you?

Mr. HARDY. I am afraid that is not the way. There may be another way.

The CHAIRMAN. They recognize, as I understand from you, that the existing conditions are not ideal?

Mr. BAKER. Yes.

The CHAIRMAN. And Great Britain recognizes the necessity of regulating pools and rebating, and Germany recognizes the same necessity, as do the other nations, but they are in sharp competition, and each is reluctant to take the initiative. Do you feel we are in a position where we might do so?

Mr. BAKER. I feel sure that is the position; and, Judge Hardy, I feel pretty sure, too—I will go a little further and I will even say—

I present something here to-day that I think will justify my opinion that they are just as anxious as we are (I am talking about the steamship companies, not the Governments) to come within some advantageous and reasonable regulation, because they have a great many difficulties. It will be the same thing that we went through with the railroads, and a great many of them are grateful to-day for the organization of the Interstate Commerce Commission in many ways. I remember once a few years ago of riding on a train from Baltimore to Pittsburgh, and the conductor, whom I happened to know, came to me, and he said, "Mr. Baker, how many paid fares do you suppose there are in this sleeper?" I suppose there were 30 or 40 passengers. I replied, "I presume there are 10 or 20 per cent of them." He said, "There is one." That is a condition you have greatly relieved the railroads of by your Interstate Commerce Commission.

Mr. HARDY. I do not doubt that the railroads to-day have made more money by the interstate-commerce regulation. At the same time they have succeeded in preventing any reduction of passenger fares.

Mr. BAKER. Yes; they have. Judge Hardy, I beg your pardon. Take one business in which I was interested for a great many years, that of coal, which is a very important business, and I still have a little interest in the Baker-Whiteley Coal Co., although I am not active in it at the present time. I can remember well when we paid double the rate of freight on coal from the Clearfield regions to Baltimore that they are paying to-day.

Mr. HARDY. I have no doubt there are illustrations on both sides, but just take the passenger business, to which you referred, some 10 years ago or less than that, when we finally passed a law prohibiting free passes. One of the reasons up to that time that they had urged against any reduction of the passenger fares was that they had so much traffic to carry free under these free passes that they could not afford to do it, but I noticed when the free passes were abolished they did not reduce fares, and it has been a great benefit to the railroads.

Mr. BAKER. It has been a great benefit to the railroads, but independent of that, and if they had not done that, you are not paying the same freight on a barrel of flour and every man working is not paying the same freight on a barrel of flour, and look at the increase in wages that railroads have to meet and their increased cost of operation. I am not a railroad man, and I have built up a reputation for fighting them, especially in the matter of the Panama Canal bill.

Mr. HARDY. That is very well said, but they failed to call attention to the fact that their engines carry three times as much freight as before, and the crew is not much more than three-fourths what it was for the same freight formerly, and those things ought to have resulted in a general reduction of freight rates and passenger rates and all transportation charges. While wages have been going up, that is a very small element.

Mr. BAKER. But to meet that they have had to make additional capital issues to provide for carrying these heavy trains and locomotives, for which they have spent a great deal of money.

The CHAIRMAN. The Rock Island Railroad in Missouri, from where it strikes the Missouri line to Kansas City, which is the point

I am most familiar with, has been rebuilt in the last 10 or 12 years. The line has been straightened, new track laid, and all the old bridges taken out and new bridges put in to carry this additional weight, which has all been an enormous expense.

Mr. BAKER. They have to earn interest on that, and that same condition applies to nearly every railroad.

The CHAIRMAN. The passenger rate has decreased, too.

Mr. BAKER. Judge Hardy, do you believe, to get back to the subject of this international conference, that it would do any harm, and would it not possibly tend to bring about a better condition of affairs, if there were international negotiations going on?

Mr. HARDY. I think that we might march side by side with such legislation, if there is anything that we can do to help remedy the situation, but not to let our efforts be postponed until some final agreement is reached; it certainly would not come within 10 years.

Mr. BAKER. Oh, no. Have those companies make an agreement; pass a law compelling them to file it, so you will know what is being done.

Mr. HARDY. Whatever can be done we ought to do.

Mr. BAKER. Yes; I agree with you.

The CHAIRMAN. I understand your view is this: That we go as far as we can wisely and without injuring our foreign commerce, but these other questions that can not be reached and controlled by legislation by Congress, but can be reached by international agreement, should be taken up also?

Mr. BAKER. That is it.

Mr. HARDY. I have no objection in the world, and think it might be wise to see if the nations can agree upon any policies or principles that could be of universal acceptance. In the meanwhile, let us do what we can.

Mr. BAKER. I agree with you, and I have suggested further that you can have a law passed just as soon as possible compelling the filing of all agreements.

Mr. HARDY. It is all right to have that on the "books"?

Mr. BAKER. Yes. But now to come to the coastwise business, and there is a different situation. There has been a very remarkable and unusual condition existing there, mainly through the control by competitive rail lines of our water transportation.

Mr. HARDY. That is a very important subject.

Mr. BAKER. A very important subject. First, you have passed a law compelling—I do not know the exact status of that law—railways to dispose of their interests in competitive water lines. Judge Alexander, is that a law now?

The CHAIRMAN. It will be in 1914.

Mr. BAKER. That is one of the first steps, and the next and important step, which is not so much a matter of national legislation, is the control of the terminal facilities in the different ports. That is a matter for State legislation, and most of the States are taking an interest in it now. In that they are doing a great deal, and a great deal can yet be done. We never chartered, as I look at it, our railroads with the idea that they were to control water transportation, and the question of rates and regulations there ought to come directly under the Interstate Commerce Commission, with full power to regu-

late; and I would go a little further than anything that has been suggested and give them, too, the authority of ruling on not only maximum, but minimum rates.

There is where the greatest difficulties have existed in the establishment of water transportation—when you divorce the railroads it would do away with a great deal of that—to crush out any possibility of competition by reducing rates to such a low minimum point that nobody could establish a service in competition. I think that all can be regulated. I would make it a department of the Interstate Commerce Commission—a special water transportation department, but cooperating with and under, of course, the Interstate Commerce Commission. You know more about the best way to do it than I do, under the law.

The CHAIRMAN. What would you do with the “tramp”? The tramp seems to be the only regulator now.

Mr. BAKER. The tramp in our coastwise commerce is a negligible quantity, Judge. There are certain classes of business you never can regulate. Take, for instance, our enormous coal business, where you simply go out and charter a steamer. I scarcely know of any buyer of coal who now charters a vessel to load coal.

Mr. HARDY. Is not that the result of the fight, whereby the loading and unloading facilities of these great bulk cargoes, like coal and grain, have been segregated by the owners of these properties so that the railroad terminals are not essential?

Mr. BAKER. Is not that a matter for State action, the terminals of the different ports belonging to the railroads, which are under the control of their States? I know it is so in our State of Maryland; I know it is so in California, Washington, Oregon, at New York, and at Boston, where that is one of the greatest difficulties. The railroad companies control nearly all those terminals in Boston.

Mr. HARDY. If you pass a State law interfering with interstate transactions, it would run right afoul of the Constitution, which says the Federal Government is in control of all commerce between the States, or would it not?

Mr. BAKER. Yes. I am not a lawyer, but would the Federal Government have control and right of condemnation of all that water property there? They can regulate the railroads; they can say that the railroads shall not own lands where they are engaged in interstate business.

Mr. HARDY. They have control of our rivers and navigable streams, and they have a large amount to do with ports and harbors, I suspect, as affecting foreign and interstate commerce.

Mr. BAKER. Oh, of course they have.

Mr. HARDY. And if the State adopted any legislation that was disagreeable to the railroads, they would certainly have to go through the Federal courts before they ever got it.

Mr. BAKER. Then pass such laws as will prevent them doing that when they use it for discrimination. You have now, you know, compelled every railroad to interchange business by law with any water line.

Mr. HARDY. My understanding is that the conference lines, the lines that are in combination, have certain docks in these big cities, and to these docks the railroads that are friendly to them have their sidings and their approaches?

Mr. BAKER. Yes.

Mr. HARDY. Then an independent company might find wharf room and dockage facilities where railroads do not run to them?

Mr. BAKER. That is true.

Mr. HARDY. So the result as to package freight is that while the conference lines do not occupy all the frontage, they would just as well do it, because at other places they are inaccessible.

Mr. BAKER. But do not your laws compel them to afford facilities for handling that business? For instance, if I started a line from Galveston to New York, and I want to send it into one of the railroad's piers, distributing that cargo up through the New England States from Galveston, I understand the law would allow me to-day, as the owner of that line of steamships, to demand of that railroad through the Interstate Commerce Commission facilities for handling that business.

The CHAIRMAN. I think that is true.

Mr. BAKER. That is the law I believe that has been recently passed.

The CHAIRMAN. Yes.

Mr. BAKER. That is a good beginning.

Mr. HARDY. How would you get your facilities? Here is a dock, we will say, which belongs to the Mallory Line at New York. The railroads connect up with it. You want to get in there and you find a little vacant space. You want to put your equipment there, but there is no railroad there, and there is no way of getting a railroad there, and how are you going to do it?

Mr. BAKER. You would have to lighter, that is all, from that dock to where there is a railroad pier, but if that railroad pier was giving to your competitor facilities at the pier where they had those rail lines, I understand under the law that I, as a competitor, would have a right to demand the same facilities and the railroads would have to give them to me under the law.

Mr. HARDY. If you could get up to it?

Mr. BAKER. If I could get up to it.

Mr. HARDY. But that pier belongs to another company.

Mr. BAKER. It belongs to the railroad company?

Mr. HARDY. Yes.

Mr. BAKER. But the railroad comes under that interstate commerce law?

The CHAIRMAN. If it belongs to the railroad company.

Mr. HARDY. It does not belong to the railroad, but belongs to the ship company.

Mr. BAKER. You can not go there. Here is something you can remedy. A short time ago there were five big piers in New York offered for lease.

The Southern Pacific Railroad Co. leased these five piers from the city of New York, and they had no use for them. There were no ships going to those piers at all. They leased them to prevent any possibility of a line being established through the Panama Canal in competition with the Pacific Mail Steamship Co., and they were using them for storage purposes. They would take goods down there by lighters and store them rather than give the ships the facilities. The Panama Steamship Line, owned by the United States Government, wanted one of those piers, and the Southern Pacific Railroad

Co. refused to allow them to have it. When the Secretary of War, Gen. Dickinson, was called in he threatened the Southern Pacific Railroad Co. and forced them to let the Panama Steamship Co. have one-half of one of those piers that they were not using, and for which they were paying \$300,000 a year. The State of New York and the dock commission in New York are taking a different position in demanding and providing new facilities there to accommodate this business, but the United States Government could not require that.

Mr. HARDY. Would not the hiring of those piers and the devoting of them merely to storage purposes and taking them out of use be a violation of the antitrust law?

Mr. BAKER. No.

Mr. HARDY. It is evidently done in restraint of trade.

Mr. BAKER. Well, yes; but it is not transportation.

Mr. HARDY. It is not transportation to blow up a bridge across a stream, but it is an obstruction of transportation.

Mr. BAKER. As I read the decisions of the courts, they take a different view of the antitrust law, making it applicable to things I did not think it applied to.

Mr. HARDY. It seems to me an outrage that a great company which says they must have the facilities there should come in and pay hundreds of thousands of dollars to keep property idle rather than let it be used by somebody else.

Mr. BAKER. It is wrong; I agree with you.

Mr. HARDY. They put themselves in such an attitude before the public that the public can not have any sympathy with them.

Mr. BAKER. I agree with you. To get back to this, I think that will help to regulate it a good deal. The subject that has interested me, however, more than anything else, has been the question of the development of transportation between the Atlantic and Pacific through the Panama Canal. I have worked very hard at it, and I want to lay before you gentlemen, if I may, as much for public criticism as anything else, a condition which has arisen.

The CHAIRMAN. We would be very glad to have you state it.

Mr. BAKER. Beginning back in 1908, when Mr. Roosevelt was President, he stated that a remarkable condition existed there in Panama where we used to do about 300,000 tons of through business from coast to coast, that it had dropped down to about 30,000 tons. There must be some reason for that. Well, it resulted in a long series of negotiations, and the condition has been very much changed now. At that time no private individual was violating the law as vigorously as was the United States Government.

They were discriminating in an unjust and unreasonable way against the citizens of the United States. As outlined in an article I wrote for the North American Review, November, 1909, the United States Government owning the Panama Railroad would charge you for bringing a ton of hides from Panama to Colon \$5 a ton, and if you happened to be an English or German importer they would only charge you \$2.50 a ton. That was proven beyond any question, but it has all been remedied. That was only one of the conditions.

Mr. Post. What reason did they give for making a discrimination like that?

Mr. BAKER. It is rather a long story. When the French canal company bought the rights of the Panama Railroad from the people in New York who owned it, the Panama Railroad Co. had an agreement with the Pacific Mail Steamship Co. by which the Pacific Mail Steamship Co. paid to the Panama Railroad Co. \$90,000 a month not to name rates in competition with the Southern Pacific Railroad. Of course, this was in the old days. This is all congressional testimony and is on record. They paid \$90,000 a month to the Panama Railroad Co. not to name rates in competition with the transcontinental roads for traffic over the Isthmus of Panama. The Pacific Mail Steamship Co., being at that time desirous of doing as much business as they could, used to name—for instance, from a port on the west coast of South America through to Germany and England and from our United States Pacific coast ports like San Francisco and San Diego—a lower rate of freight, a lower rate on cargo consigned to German and English ports as against United States ports; that passed over with the same arrangement to the French company.

The French company said to the Pacific Mail Steamship Co., "We will buy your line from New York to Colon; we have no use for your line on the Pacific." So that is how they parted with it—the line from New York to Colon. This same system of rebates was carried out until 1910. Then the investigation made called attention to it, and they immediately remedied it, so there is no longer any discrimination. But the same old policy was carried on, although the moment the French company bought the Panama Railroad and the Atlantic connections of the Pacific Mail to Colon the transcontinental railroads stopped the payment of this \$90,000 a month. After the United States took over the canal the steamship line to Colon was included—the United States Government took their management—the same officers, the same men, and the same ships. They did not want too much traffic or anything that would interfere with the building of the canal. Then as the lessened work of the Panama Railroad Co., in connection with the building of the canal, gave them greater opportunities for conducting freight business, it increased since 1910 very materially.

To get back to this subject, the Post Office Department—in new construction of the act of March 3, 1891—advertised for a line of steamers from New York to San Francisco and all Pacific ports, with a mail contract from New York and New Orleans to Colon, and from Pacific ports to Panama. It was advertised twice; first, from New York and New Orleans for a regular weekly service clear up as far as Seattle and Puget Sound; and a second time including lines from Boston, Philadelphia, and Baltimore.

The Postmaster General complimented me very much by asking me to outline what lines I thought might possibly bid upon it. I promised to use my very best efforts to provide that information. Here we were paying \$2 a mile on 16-knot boats in that service, in addition to its being limited to the coastwise trade under the American flag, and yet in spite of all that and the advertising for over 90 days, in both cases, they never received a bid. I used every effort to raise the money to do so. A million and a half was subscribed at one time, but it would take about \$15,000,000 to cover the service efficiently. I could not raise the money. There were a great many

difficulties, a great many objections. Very naturally the big combination of railroad interests, which control, in a way, the capital interests of our country, did not want to see this whole question raised. There was one item which excited them very much, the question of citrus fruits from the Pacific coast to the Atlantic coast. Statistics show that over a million tons move a year, at an average rate of freight of \$27.50 a ton. That originates within 100 miles radius of Los Angeles.

Mr. POER. By rail?

Mr. BAKER. All by rail. It is an expensive traffic to the railroads. They have to stop and ice the cars. They are figuring now on providing refrigerating machinery on the engines. It could be carried at a profit by water lines at less than half the cost by railroads—in fact, the California Fruit Growers' Association is offering a contract of 3,000 tons a week from Los Angeles to a port north of Hatteras at \$10 a ton. That would mean a difference in the rate of freight of at least \$17,500,000, and it can be carried much more economically by water and practically in the same time.

Mr. HARDY. That would mean \$51,000 a week on that 3,000 tons from Los Angeles, alone?

Mr. BAKER. Yes; the manager of the California Fruit Growers' Association made that offer. It is a very profitable business.

Well, I exhausted my efforts. There is a great deal being done to-day. William R. Grace & Co., of New York, is building several ships. The American-Hawaiian Steamship Co. is also building some splendid steamers.

Mr. HARDY. Is it your inference that the railroad influence operated to prevent you from being able to raise that \$15,000,000 to finance that project?

Mr. BAKER. Undoubtedly.

Mr. HARDY. And while it was a profitable venture, a reasonable venture, a practicable venture, you could not raise the money?

Mr. BAKER. No; I wanted to show how practicable it was. Of course all the parties to which it was offered would look at it with a great deal of interest, saying that something ought to be done, but I had to give it up.

Now, come down to the present day. There is something I want you gentlemen, if you will, to discuss. And I want you to get public opinion upon it.

I was sailing in the latter part of October for a trip around the world, and had made all my arrangements, when I received a cable from Berlin, asking me to have a conference with some big German interests. I told them I would be glad to meet them, and, on the 24th of October, we had a conference in New York. It was the Hamburg-American Packet Co., one of the companies which your Government has now entered suit against for violation of the Sherman Antitrust Law. They said, "We will put up all that money. We know it is a profitable business. Do you think it would be acceptable to the citizens of the United States? Do you think the Government would have any objection? We will build the ships in the United States. We have every dollar ready now to put up to do this, and we are ready to go right ahead with it. We have

watched your efforts and we know the business is there, we know the opportunity exists. We are anxious to extend our business and are willing to do it under the American flag. Not only that, but we are willing to comply with any law that is now in existence or is passed."

It was rather staggering. I do not know whether there was anything in particular back of it. I do not believe there was, except a business proposition, and that they saw an opportunity of developing our commerce under the American flag. Remember, those ships must be built in the United States, must be manned by American citizens, and subject to our laws.

The CHAIRMAN. And the licensed officers must be American citizens?

Mr. BAKER. Everyone of them must. Those ships would be at your call at any time. I was over in New York the other day when the question came up as to the possibility of sending troops to Mexico, if necessary, and there was hustling around there, and I tell you there would be great difficulty. You could not get enough troops down there to-day to guard the road from Vera Cruz up to Mexico, about 256 miles, independent of doing any fighting.

They said, "We will put \$15,000,000 in your hands now." I have had a hobby, and that is the idea that the time has come when stock bonuses and that sort of thing are wrong principles of business. I demanded that they comply with all those provisions. They said, "We agree with you. That is the way we do business in Germany. We will not allow stock bonus distributions with preferred stock, etc. We have no founders' shares such as they have in England, and that is the principle we are trying to carry out. We believe every banker is entitled to a fair rate of compensation." I found them very enthusiastic about it.

They went to their legal advisers in the United States and were rather discouraged. They said, "The American people would not understand it. Here you are now being sued under the Sherman antitrust law by Mr. Wickersham in New York, and while we believe that this being an American company it would not affect it still you must bear in mind that the United States law passed last August prohibits any ship owned, controlled, or chartered by any company which violates the Sherman antitrust law from going through the Canal." Even in spite of that they were willing to undertake it.

I felt discouraged, and I went on with my trip. They invited me to go over with them. A number of the directors went over on the same steamer and we had a great many very interesting discussions day after day. They said finally, "We are prepared to give you a written proposition." I said, "Do not offer to take all the capital; offer to take one-half and offer the remainder to the citizens of the United States through public advertisement, without any commission, without any bonus, without any promotion stock, except a moderate banker's commission." They said, "We will do it." I said, "Will you agree to furnish \$7,500,000?" They said, "We want to know whether it will be satisfactory, and we want you to find out. If so, we will." Here are the original agreements.

(The letter referred to was marked by the stenographer Exhibit No. 120 and was read by Mr. Baker as follows:)

EXHIBIT No. 120.

HAMBURG AMERIKA LINIE,
DER VORSITZENDE DES DIRECTORIUMS,
ON BOARD STEAMSHIP "KAISERIN AUGUSTE VICTORIA."
November 12, 1912.

MR. BERNARD N. BAKER,
Steamship "Kaiserin Auguste Victoria."

DEAR SIR: Confirming our various interviews on October 24 and November 12 our company, the Hamburg-American Line, are prepared to become interested in an American company to be formed by you to establish a Panama steamship service to the extent of \$7,500,000, or one-half the stock of a company of \$15,000,000, to build and equip a thoroughly competent and efficient service via the Panama Canal route.

We would only be willing to become interested provided it could be done entirely satisfactory to the administration in Washington, and that the investment of German capital in an American steamship line would be satisfactory, and with the desire to fully cooperate in the development of the commerce of the United States, always fully within not only the letter but spirit of the law. We consider it necessary that there should be a complete understanding, but it is our desire and wish to comply with any regulations that would prevent any possible criticism being made as to the operation of this company being a combination or trust in restraint of trade under the terms of the Sherman Antitrust Act or any future legislation of the United States Government.

If this understanding can be had, we hold ourselves prepared to take, as above stated, a substantial interest in the formation of such an American company. Our long and successful experience in over-sea traffic leads us to believe that we could be of great benefit to such company and further from our experience tend to make it profitable to the American capital interested as well as to our own interest.

Believe me, dear sir, yours, sincerely,

BALLIN,
Director General Hamburg-American Line.

They wanted me to come right back to the United States, but I did not just then. I afterwards met them in Berlin, December 2, and had a discussion, when they confirmed all they had said. Not only that, but they would take every dollar necessary to establish a splendid line of ships, and they only wanted to raise American capital if American capital wanted to enter into it with them. Having failed to interest Americans, here was an interest that was entirely free. It is the biggest steamship company in the world. Their assets are about \$175,000,000 and their stock is only \$37,500,000. The German Government is directly interested in it. They are keen on seeing that they succeed.

MR. HARDY. When you say they are directly interested, you mean they are financially interested?

MR. BAKER. Not to any great extent. That company and the North German Lloyd comprise largely the merchant marine of Germany.

MR. HARDY. Does the Government own any stock in the company?

MR. BAKER. I do not think so.

MR. POST. Does it subsidize its ships?

MR. BAKER. No; I understand they give them rates over the German State railways which they do not give to other lines, and they give the North German Lloyd the same.

THE CHAIRMAN. As I understand this proposition, it is simply to invest that much foreign capital in an American steamship line under

the control of the American flag officered by American licensed officers, an American corporation subject to our laws?

Mr. HARDY. Mr. Chairman, you probably have it clear in your mind. Have we any law to prevent foreign capital being invested in the stock of a ship line in this country?

The CHAIRMAN. None whatever. Last session that question came up in connection with a hearing before this committee, and I inserted in the record the opinion of the Attorney General on that question, which holds that if the company is an American company it does not prevent the investment of foreign capital in the stock of that company. Otherwise our railroads would be in a sad fix.

Mr. HARDY. I know we have provisions with reference to the American register sometimes requiring that they shall be American-owned vessels, but that would be complied with, I understand, by a corporation organized in this country.

Mr. BAKER. Yes. I do not think it will affect this case. However, I think they are willing to go ahead with it if they can go to some one, to some department of our Government, and say, "We want to comply with your laws." There is no department to which we can go. You see, the law passed on the 24th of August last provides that no ship owned, controlled, or chartered by any person or company doing business in violation of the provisions of the Sherman Antitrust Act shall go through the Panama Canal. Now, they say, "We are going to comply with that law, but there will be a large German interest in it, and this large German interest you are suing to-day for violation of that act, but that interest will not control the company." They go further than that and say they want to do it not only legally, but with a desire to cooperate in the development of the commerce of the United States. This is my reply to their proposition.

(The letter referred to was marked by the stenographer "Exhibit No. 121," and was read by Mr. Baker, as follows:)

EXHIBIT No. 121.

ON BOARD STEAMSHIP "KAISERIN AUGUSTE VICTORIA,"

November 12, 1912.

ALBERT BALLIN, Esq.,

Director General Hamburg-American Line,

Steamship "Kaiserin Auguste Victoria."

DEAR SIR: Confirming our various discussions with regard to the establishment of an American steamship company and your company's interest in the same, I acknowledge receipt of your letter of November 12 and will use my very best efforts to secure the approval of our administration in Washington to the line of policy contained in your letter.

I understand that your company will only undertake cooperation with the American company to be formed by me provided it can be done in a most open and frank way to meet the approval of any possible objection that could be made to a joint German and American ownership, and that such company would be perfectly willing to file with any department of the Government a full and complete outline of all its business and connections and operations to free it from any possibility of being considered a combination or trust in restraint of trade, so as to fully comply with the Sherman law or any future legislation that may be passed by Congress.

Thanking you very much for your confidence in me, and with great respect and esteem, I beg to remain,

Yours, sincerely,

B. N. BAKER.

Mr. HARDY. What is the date of that letter of yours?

Mr. BAKER. The same date; November 12. The letters were exchanged there on the steamer *Kaiserin Auguste Victoria* in midocean. I came home immediately and submitted these to the President. The President referred me to the Attorney General and Secretary Nagel, and I found no one who could do anything.

Mr. POST. What is the objection?

Mr. BAKER. There is nobody, really, to go to. We want to file with some department all agreements and contracts with regard to the formation of the company, because we intend to operate along unique lines, with no promotion stock and no bonus. We can take out a New York charter. We have a New Jersey charter which I took out some time ago, which covers all that. Its provisions have been very much criticized by banking interests, but that does not prevent the United States Government suing the Hamburg-American Packet Co. for violating the law. They are anxious to comply with the law. We held an interesting meeting in Berlin that I am not able to speak of now.

Mr. POST. There is no law to compel you to file these agreements and methods of doing business. Why do you want to do it? What is the necessity for it?

Mr. BAKER. The necessity for doing it is this: You may stop our going through the Panama Canal. If I say to my German friend, "Put up your capital and go ahead and build the ships," those ships must be used only in the coastwise trade. You can not engage them profitably in the oversea commerce.

Mr. POST. But if you take out a New York charter and engage in the coastwise trade, you would be on a parity with every other coastwise company.

Mr. BAKER. That is all we ask. But we want our competitors to be under the same legislation, and all these agreements on file so as not to be forced into agreements for protection.

Mr. HARDY. You want legislation passed that will require all agreements to be filed with some department of the Government?

Mr. BAKER. Yes; those in competition with us as well as ourselves.

Mr. HARDY. Then you want another thing which is most essential, some assurance that your company when formed is not to be forbidden to go through the Panama Canal on the ground that it is owned by the Hamburg American Co., which is violating the anti-trust law?

Mr. BAKER. Certainly; that is just it.

Mr. HARDY. In other words, you would like to have some peep into the future.

Mr. BAKER. We only want an opportunity to file these agreements. We will take chances on the future.

Mr. HARDY. But now, you say, there is no provision of law by which your agreement can be filed in any recognized official depository for the use of the public and the Government?

Mr. BAKER. That is it.

Mr. HARDY. Would not your desire be met by the enactment of a law requiring the filing of all agreements with regard to coastwise transportation with some department of the Government?

Mr. BAKER. That is it exactly, and that is the reason why I suggested this course to-day.

The CHAIRMAN. How many ships would that add to our merchant marine?

Mr. BAKER. Just as it is at present it would require ten 16-knot ships of about 10,000 tons each. We have bids from some of the shipyards, and we have plans of the ships. Those are tentative bids, and we can do it within the \$15,000,000.

Mr. HARDY. What kind of a law would you suggest? It would probably be a unique statute.

Mr. BAKER. Oh, no. You have a law that by July 1, 1914, the railroads must dispose of their ownership in competitive water lines. Now, you place all those water lines under the jurisdiction of the Interstate Commerce Commission; and, as they are so busy now, give them a department for this purpose and give them a little more help. That is all.

Mr. HARDY. Have you prepared an amendment or statute that would cover the proposition you make?

Mr. BAKER. No; I have not.

The CHAIRMAN. I do not understand it is necessary to have legislation in order for this project of yours to be carried out.

Mr. BAKER. Oh, no. We propose to carry this out anyway, but we ask for legislation so we can get this protection by filing these agreements and know that every company is on the same basis.

The CHAIRMAN. But the suggestion you have made relates to controlling the coastwise trade as applied to these ships in common with all other companies under the American flag engaged in the coastwise trade. But you do not want the committee to understand there is any legal obstacle in the way of the formation of this company now?

Mr. BAKER. Our lawyers assure us not.

The CHAIRMAN. That there is nothing to prevent the investment of this capital by the Hamburg American Co.?

Mr. BAKER. Our lawyers assure us there is not.

The CHAIRMAN. I will say frankly I do not know of any legal obstacle in your way.

Mr. HARDY. But I understand Mr. Baker also to desire some provision of law to constitute an affirmative authority for their filing this agreement with some department of the Government.

The CHAIRMAN. What agreement?

Mr. HARDY. The agreement that is the basis of their organization.

Mr. BAKER. Yes; to comply with the law. We only ask that the other companies do the same thing.

Mr. HARDY. You would like a statute along that line?

Mr. BAKER. Yes.

Mr. HARDY. And that is the statute I suggested you might present a draft of.

Mr. BAKER. If you desire it we would be very glad to do so.

Mr. HARDY. As I understand, you do not consider that essential to the organization of your company at all?

Mr. BAKER. Oh, no; not by any means. In presenting this I am very anxious and my counsel tell me they would be very glad to draw such a provision and submit it to you right away for consideration. I do not want to have any interest in the company myself, although that is only a personal matter, but I do not want to advise my friends to go ahead and do this unless I feel it is a matter

that will not meet with opposition. Now, let me tell you what was brought up the other day in that discussion of it in New York. This comes from the opposition. "The German company coming over here to establish a line was the company that sold the ships to the Spaniards during the Spanish-American War." As matter of fact, they did not sell them; they were sold through brokers and they were sold to Russia and then to England.

Mr. POST. Then, if I understand your position rightly, you want to determine what the public sentiment would be in this country, and you want some tribunal created by which you can compel all these companies to file their agreements, etc., for the purpose that in the future Congress may not jump onto you because they are partly foreign-owned vessels?

Mr. BAKER. Yes; and even go further than that and agree to comply with any future legislation.

Mr. HARDY. Of course, they mean any future legislation that would apply to everybody as well as themselves.

Mr. BAKER. To everybody as well as themselves.

The CHAIRMAN. We appreciate very much your courtesy in coming here and giving the committee the benefit of your views. Of course, I understand that in this proposition you have submitted you want to try out public opinion. American capital it seems is not available to invest in ships on account, I suppose, of the high rate of interest in this country.

Mr. BAKER. That has something to do with it; yes.

The CHAIRMAN. And here is a proposition that would add to our merchant marine in the coastwise trade and in the foreign trade as well. You want to sound out public opinion on that question. And if there were any department of the Government to which you could appeal, you would do that?

Mr. BAKER. At once.

The CHAIRMAN. Under existing law there is no department of the Government having direct jurisdiction over our merchant marine that would have authority to determine whether or not this proposition would be acceptable or if in any of its provisions it is in violation of any of our laws.

Mr. BAKER. That is it.

Mr. HARDY. As I understand you, then, you favor some tribunal of the Government having jurisdiction of the port-to-port traffic in our domestic coastwise trade?

Mr. BAKER. I favor it very strongly and will do all I can to bring it about. I thank you, gentlemen, very much for your consideration, and I am at your service any time.

TESTIMONY OF MR. EDWARD F. MURRAY, OF TROY, N. Y., PRESIDENT OF MURRAY'S LINE AND DIRECTOR IN HUDSON NAVIGATION CO.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Will you please state your name and address and business to the stenographer?

Mr. MURRAY. Edward F. Murray, of Troy, N. Y., president of Murray's Line and director in the Hudson Navigation Co.; that is,

the People's Line from New York to Albany and the Citizens' Line from New York to Troy.

The CHAIRMAN. You may proceed, Mr. Murray.

Mr. MURRAY. I do not know just how you want me to commence, Mr. Chairman. The thing that principally interests me, and your committee. I suppose, is the matter of division between railroad and water lines.

The CHAIRMAN. We would be very glad if you would make a preliminary statement on that question.

Mr. MURRAY. To simplify the matter, and as a part of my statement. I will read some correspondence I have had with some of the departments. Here is a copy of a letter to the Committee on Interstate and Foreign Commerce, House of Representatives, in reference to a bill No. 17536. I will just read the part that has a bearing on this special matter. I presume that is what you want?

The CHAIRMAN. Yes.

Mr. MURRAY. The bill was for the purpose of establishing through rates, etc., over the different lines. [Reading:]

If the proposed amendments are to be of any benefit to the business interests of this country or to assist in the development of our waterways, I believe that it is necessary that there should be some power or authority to compel the railroads of this country to put in joint and through rates, with proper pro rata divisions of same, to apply between all stations with water-transportation carriers.

Railroads should not be permitted to charge carriers by water any more for carrying the same classes of freight the same distance than they charge their most-favored connection or patron. And if it can be legally and equitably provided when water transportation and railroad come together, and there are no proper transfer facilities between them, and the business will warrant it, there should be some power or authority to compel that proper transfer facilities be erected and a charge made to the property transferred that will fairly reimburse the party or parties who build the transfer accommodations.

As I said to your committee, it is, to my mind, almost useless for the United States Government to spend millions of dollars in improving the waterways of this country if there is not some power or authority to compel railroads to join in through or joint rates and fair divisions of same at all points where water and rail connections are or can be made.

The same matter came up afterwards through the Interstate Commerce Commission, and Chairman Knapp wrote me under date of February 24, 1910 [reading]:

The commission in official statements to both the Senate and House committees has expressed its objection to the limitation on its power to establish through routes and joint rates, and has recommended that the paragraph in the Townsend bill containing that limitation be stricken out and in place thereof the following inserted: "And in establishing any such through route the commission shall embrace therein all of the carrier's line between the termini, or so much thereof as in its opinion may be required by public necessity or convenience."

I quite agree with you, as I believe my colleagues do, that the limitation in the present law which prevents establishing additional through routes when there is a reasonable or satisfactory route in existence, and the limitation in the Townsend bill, which in effect prevents the commission from establishing through routes without taking all of the line of a railroad company between its termini, are limitations which operate to prevent the commission from doing what ought to be done in many cases. I am strongly of the opinion that the commission should be given a broad and unqualified discretion to establish through routes whenever required by public necessity or convenience, and that the commission can be trusted not to do injustice in the exercise of discretionary power.

On December 1, 1910, Mr. Herbert Knox Smith, as Commissioner of the Bureau of Corporations, wrote me a letter requesting certain information. How it came to his attention I do not know. I wrote him this:

Some railroads prorate and through-rate with us and some do not. Some of our connections give us about the same divisions as they give other lines and some exact from us much more than they get from our competitors.

We have complained of this discrimination to the public service commission of this State and to the Interstate Commerce Commission.

The Public Service Commission of the State of New York decided they had no jurisdiction, and the Interstate Commerce Commission also stated they did not have jurisdiction.

Mr. HARDY. What date was your complaint to these two tribunals?

Mr. MURRAY. Oh, these suits were commenced in 1907.

Mr. HARDY. You said you had a complaint—

Mr. MURRAY. Yes; in 1907 and 1908, about discriminations. The Delaware & Hudson, on account of the question of rates, withdrew our tariffs entirely at one time and made us pay local rates between all points on their road and our line, although we had been doing business with them for more than 30 years. They wanted to reduce the division we had been in the habit of receiving, and we could not afford it. We went to work, supposing the commission had power and authority, and the commission after litigation decided they did not have any jurisdiction.

Mr. HARDY. That was the Interstate Commerce Commission?

Mr. MURRAY. The public service commission.

Mr. HARDY. That was prior to the passage of this last law?

Mr. MURRAY. Prior to the passage of this last law. I mention this so as to give a basis of understanding of the matter leading up to what I want to say.

The CHAIRMAN. Why did the Delaware & Hudson withdraw?

Mr. MURRAY. They wanted us to accept a less division of the through rates than we had been paying for years.

The CHAIRMAN. Were they demanding that of all other carriers, too?

Mr. MURRAY. Yes. Some carriers were getting a less rate than ours, and when they found out what our rates were they made a demand for an increase of their rates, and they justified themselves by cutting out our rate so as to make us accept the lower rate.

Mr. HARDY. Did I understand you to say that at the same time they made that demand on you they were giving other companies a better rate?

Mr. MURRAY. A better rate; yes. I propose to show you what they were giving others, and then what they are giving us to-day.

Mr. HARDY. What reason do they assign for giving others a better rate than you?

Mr. MURRAY. They are our railroad connections—they are our competitors.

The CHAIRMAN. Who are they?

Mr. MURRAY. The New York Central, the West Shore, from New York to Albany and Troy and points on the Delaware & Hudson, and Boston & Maine, Rutland Railroad; that whole territory up there that we are tributary to.

Mr. STEPHENS. Those are the railway lines?

Mr. MURRAY. That I named now? Those are the railway lines, the same lines that come in direct competition with our lines which I am now interested in, but was not originally.

Mr. STEVENS. How many competitors do you have at this time?

Mr. MURRAY. We have competition with every canal around the Hudson River.

Mr. HARDY. But at the time they demanded these lower rates or larger divisions of you, did they give any better terms to any other water line?

Mr. MURRAY. Yes; they give better terms to every canal-boat captain.

Mr. HARDY. Than they did to you?

Mr. MURRAY. Than they did to me, because they claimed that under the tariff that I would have to accept what was our agreed divisions—in some cases less, and in some cases more.

Here is a letter having some bearing on it, from the secretary of the Barge Canal Terminal Commission. This has been quite a case up in our territory, and there has been quite an interest taken in the matter. [Reading:]

I have just been going over the statements made by the citizens of Troy, at the hearing of our commission on January 6 last, for the purpose of getting it in shape for the printer, and am impressed very much with what you say about the imperative need of fair rates, say joint rates, between water and rail carriers on the basis of the rates now obtaining with different rail carriers. In your statement, you speak of railroads exercising the right to charge local rates on freight that comes by boats, instead of prorating through rates. Your statement in this regard, clear enough to a railroad or a transportation man, is not perfectly clear to an ordinary layman, such as, for instance, members of the legislature to whom the commission's report will go. I understand that your citizens intend presenting the commission with drawings of "a plan" regarding what they believe should be the extent and character of the terminal desired by them at Troy—

Our State proposed putting in terminals from barge canals, and that the State own and control both railroad terminals for through business and terminals for local business, and they have located in Troy two terminals, one to connect with the railroads for railroad business and another for local delivery business, and they are doing the same thing all over the State, at all the principal points, for the purpose of handling the business of the new barge canal that we have there.

Mr. HARDY. Is that the Erie Canal?

Mr. MURRAY. The Erie and Champlain, both, sir. They both enter the Hudson River at Troy, called Waterford, or just across the river from the upper part of Troy; and for the purpose of preventing discrimination the State proposes to own their own terminals, and have appropriated, I think, some \$19,000,000 for that purpose. They are to have several terminals in New York Harbor and that vicinity, terminals at different cities up the Hudson River—Albany, Troy, Waterford, Cohoes, Schenectady, and all the way out to Buffalo; and up on Lake Champlain—Mechanicsville, Whitehall, and other points where the business will warrant a terminal. [Continuing reading:]

* * * which, doubtless, they would wish to discuss with more or less formality, in order to get upon the record the views and the reasons that actuate them in presenting the plan that they approve of and recommend. When they appear before the commission I wish you could accompany them,

for the purpose of elaborating somewhat upon the situation to which you have, in your statement already made, but touched in passing. Explain clearly just what "local" rates, as different from "through" rates, are, and how they affect shippers in deterring them from using water carriers instead of using them as they would if a joint through rate obtained. I have no doubt your experience will enable you to supply figures, exact and precise data, in a sufficient number of instances to make this difference perfectly clear and to demonstrate how the application of the "local" rates have the effect, intended by the railroads, of discouraging and preventing, so far as they can, the employment of water carriers for any part of the through haul.

Please understand, I make this suggestion wholly upon my own responsibility, and it is not made by direction of the commission. Personally, I regard this as a vital matter, and fully agree with you that so long as railroads are permitted to charge "local" rates and to deny water carriers the benefits of a just prorating on through freight interchanged between rail and water carriers "our canal system is of little value."

I trust that you will agree with me as to the importance of having this vital point made perfectly clear upon the records of the commission, and I know of no one better able than yourself to do so, and for this reason I hope you will find occasion to do so.

Then appears the following postscript:

If I am not mistaken, you are the only man who has appeared before the commission that has made any reference to this matter, and you only incidentally and somewhat apologetically allude to it, as if it might not be a matter properly within the purview of the commission's work. If railroad connections are an essential part of canal terminals, as they are, then surely it is within the province of this commission to point out what is likely to make such connections abortive or restrictive of an interchange of freight, so long as railroads are permitted to insist upon charging a "local" instead of prorating through freight.

In reply to that I wrote—

On my return I find your favor of the 14th and carefully note contents. If I did not make myself clear to the commission, or they did not fully understand the importance of the matter referred to, I shall be pleased to meet them at any time that will suit their convenience and more fully explain.

The money being spent for the improvement of our canals and waterways will be but little better than thrown away unless there is some power or authority to compel the railroads to prorate and through rate over water lines at all connecting points where connections are now made between water lines and the railroads and at all other points where the business will warrant such connections.

The railroads should be compelled to give regularly established water lines at good rates, divisions, and facilities as they give their most favored connection or patron, and if they are not compelled to do this they can build up monopolies and stifle competition.

Local "port-to-port" business would rarely ever support the water lines of this country with the kind of boats and facilities the public demands.

The railroads should be receivers and distributors for the water lines and the water lines receivers and distributors for the railroads. By both working together on fair basis the business of our State and country can, I believe, be very materially developed.

Mr. HARDY. Will you have both State and interstate business?

Mr. MURRAY. Yes; we have both State and interstate business. Our railroad connections north and east and west of us bring us under the provision of the interstate law, and our southern connections down into Texas and the Southern States also bring us under the provision of the interstate-commerce law.

Mr. HARDY. From what ports did your line which you were representing in 1900 specifically run?

Mr. MURRAY. It has been in existence between Troy and New York for more than a hundred years. It is the oldest line in continuous existence in the United States.

Mr. HARDY. Is that the extent of the line which you represented in 1900 when you wrote this first letter?

Mr. MURRAY. When I wrote all those letters. I have been identified with the line and been in business all my life.

Mr. HARDY. Is the line wholly located in the State of New York?

Mr. MURRAY. Yes; but does business through our connections in interstate commerce. We carry from up in Vermont marble and slate and all that class of freight that goes down into Texas and New Orleans and all down in that territory.

Mr. HARDY. I want to say that the idea expressed in your first letter which you read, in 1900, and also repeated in the last letter you read just now is exactly the idea that I have had in introducing the bill directly after I came to Congress, which did not pass and has been sleeping ever since.

Mr. MURRAY. Well, sir, the money being spent by the United States Government is little better than thrown away unless there is some power that will compel the railroads to through rate and prorate with the water lines on a fair basis.

Mr. HARDY. I have often used the expression that we had as well have thrown the money into the Mississippi River as to have done what we have, with the competitive railroad conditions.

Mr. MURRAY. Yes.

The CHAIRMAN. Why use the word "Mississippi"? Why not put them all in.

Mr. HARDY. I will put them all in, and say it covers the whole situation.

Mr. MURRAY. Dock Commissioner Tomkins, of New York, sent me a copy of a report that he made bearing on this matter that you spoke about with reference to the terminals, in which he said:

If the enlarged canals accomplished the chief purpose for which they were undertaken, there will be an enormous increase in railroad freights, through the reduction in rates forced by the improved canal competition, reenforced with adequate, well-placed terminals.

This gentleman who preceded me also spoke of that same matter of terminals. Commissioner Tomkins also said:

New York State would then become an irresistible magnet attracting to and through it to the port of New York a vast amount of new business from the Great Lakes and beyond, besides the business newly created in the State along the canals and waterways, all of which will focus upon the port of New York. The most superficial student of canal development in this State will realize that the enlarged business of the canals themselves will be the least important accomplishment. If it causes the final abolition of the railroad differential, the increase in the traffic both ways should be very large. One of the earliest accomplishments, in my judgment, destined to follow the completion of canal enlargement and establishment of needed terminals, will be "the compulsory establishment of joint rail and water rates, the prorating of rail and water rates, on precisely the same basis that accompanies interchange of freight between railroads to-day; the abolition of the practice of the railroads insisting that all water-borne freight is local freight; that from the place of transshipment from water to rail carriers or from the original point of shipment by rail carrier to water carrier; but, on the contrary, through rates will obtain as between rail and water carriers with a fair division of same as between each, precisely as railroads now share earnings on through freight. This result should have the effect of greatly increasing railroad through freight to and from the port of New York."

Mr. HARDY. Were you here yesterday when Mr. Hopkins was going into the same subject?

Mr. MURRAY. No, sir; I have not been here and have not heard anything.

The CHAIRMAN. Mr. Hopkins was of the Board of Trade of Chicago, and he ventured the opinion that the improvement of the Erie Canal would be so much money thrown away under existing conditions.

Mr. MURRAY. Well, sir, I can only give a theory. I think that we have made a mistake in the State of New York in building the type of a canal we have, although now it is almost three times the capacity that was originally intended. The original intention of the barge canal was a thousand-ton boat capacity, which was four times as large as the present capacity, but through widening and deepening the locks we have increased that so that the capacity of the canal now will be 2,500 to 3,000 tons a boat. But that is not the type of boat nor the type of canal that I favored. It is built, and we can not now do anything about it. We are up against this condition. I wanted a canal according to the plans of Maj. Symonds's ship canal, as we call it, of about 21 feet draft, through the State of New York. We can have 40 feet of water up the Hudson River to Troy just as well as 4 feet, as it is just a matter of getting the bottom so far down, because it is tidewater all the way to Troy. But I found in attending waterways conventions that there was an element against us that was too strong, and that is the Buffalo end of New York State. They wanted no canal that would not break bulk at Buffalo. I wanted a canal, and so did many others, that would load at Duluth or any other lake port and go right through without breaking bulk. We could not get that. We have got the best we could. It cost us, with the money we have spent and that which is appropriated, \$130,000,000 up to date. The Maj. Symonds plan would cost about \$180,000,000, a little less than twice as much as the thousand-ton barge canal. In one case we would have something that would amount to something, and in the other case we have—I do not say it will not amount to anything, because it will amount to something; but it is not the character of canal we should have.

The CHAIRMAN. But if you had that canal, then you would have had no short-rail haul that would interrupt your water haul from Duluth and the Lakes generally to New York?

Mr. MURRAY. No.

The CHAIRMAN. Would you not accomplish nearly that if you succeed in destroying the right of railroads to tax up the ex-lake traffic with local rates. Buffalo to New York?

Mr. MURRAY. Yes, sir; that is the thing that we are trying to do.

The CHAIRMAN. That is what Mr. Hopkins, of the Chicago Board of Trade, was complaining of.

Mr. MURRAY. It might have been wise if I had come here before this.

The CHAIRMAN. You would only have heard a good deal of testimony to support your own position.

Mr. MURRAY. I have given you generalities so far, but on June 22, 1907, I wrote Mr. Mullin, general traffic manager of the Delaware & Hudson Co., as follows [reading]:

In regard to the divisions of rates to and from points on your road and connections and our line and connections, we expect and should have as good facilities and divisions as the New York Central or West Shore Railroad or the most

avored connection or patron, and we trust you will arrange the divisions accordingly at your earliest convenience, as our accounts of last fall and so far this season have not yet been adjusted.

On May 18, 1907, Mr. Mullin wrote me as follows:

Your favor May 17. Mr. Wadsworth—

Mr. Wadsworth is the general freight agent of the Delaware & Hudson Co.—

will be at the next meeting of the Middle States Association and make request for a differential in connection with your line from and to points on our Susquehanna division, although in a discussion with him of the matter again this morning it appears that our interested connections have taken exception to any differential with the People's Line to and from Binghamton, and it is hardly thought possible that they will concede the differential in connection with the Murray Line; however, we will make the effort and advise you result as soon as possible.

I wrote him in reply:

Your favor of the 18th is at hand. The People's Line's position is very different from ours, because the People's Line and the Citizens' Line charge the same rates to and from points beyond Albany and Troy as the all-rail lines, whereas we are to have our agreed differentials.

On account of being a barge line and only every other day service the lines up there agreed that we should have a differential rate and make a lower rate than the standard line rates. That is what this refers to.

Then, he writes a letter on July 6:

Referring to conversation of some time ago. I beg to advise that we made request to the Middle States Freight Association for differential rates via the Murray Line, and the matter was acted upon at a meeting of this association on July 2, at which the interested lines individually declined to concur in the proposition. The reason advised for declining our request was that such rates would lead to request from other local lines for differentials in other parts of the Middle States territory.

Those differentials are: We give the differential to our customers—we give them the reduced rates. The differential that we take is taken right out of our proportion of the earnings and given to our customers, and on the Susquehanna branch they do not permit us to put in a differential at all. They do on the other branches of their road; that I will discuss later.

Then, I had a letter from the Delaware & Hudson Co., dated March 11, 1908, which read as follows:

At the conference held in Albany March 5, 1908, it was individually announced by interested carriers that the present all-rail basis of class rates between New York and Burlington, Vt., and other points on Rutland and Central Vermont roads and between New York and Plattsburg and other stations on our Champlain division, operating in both directions, would be maintained until further notice by all routes. This is for your information.

I wrote him:

Your favor of the 11th. file R. G. L. T., is at hand. I wish you would send me copy of the minutes of the conference referred to and oblige.

I have before me those minutes. This is a letter that was written to the parties that were at that conference:

I have before me minutes of conference held at Albany March 5, 1908, by yourselves and associates, at which you represented the various lines, and which conference refers to Murray's Line, the minutes stating in effect that the differential rates now enjoyed by this company were to be restricted and

that they could apply only to certain territory and in connection with certain lines.

It is the purpose of Murray's Line to extend their differential rates to all points reached either directly by the company or through any connection, and Murray's Line refuses to accept the conditions which form a part of the minutes of the meeting and which bear on the matter of restricting Murray's Line differential rates.

I do not believe that the laws of this State or Nation will permit the railroads to combine to restrict the territory that may be reached by a differential line, and thereby prevent the merchants and manufacturers of that territory from having the benefit of lower rates which they might obtain.

Here are the differential rates, as near as I can find out. Of course, I have not them, and they will not permit me to have a copy of their division of rates.

The CHAIRMAN. You say "they." Whom do you refer to?

Mr. MURRAY. The railroads. I know that they are substantially correct, but I have not a copy of their agreed divisions, and I have not been able to obtain them, although I have tried for some years to do so.

Mr. HARDY. Then this division of rates that they have is not published?

Mr. MURRAY. Oh, no.

Mr. HARDY. Through the Interstate Commerce Commission?

Mr. MURRAY. Not that I know of; I wish it was; but they are substantially correct. There will only be a fraction of a cent variation either way, and I will give you only the first-class rates, to show you.

Mr. STEPHENS. You say they will be substantially correct?

Mr. MURRAY. Yes.

Mr. STEPHENS. What do you refer to? Have you an exhibit?

Mr. MURRAY. I have the rates here and the divisions of the rates, and the figures of the divisions are substantially correct. They would be only a fraction of a cent out of the way.

For instance, the rate on New York points on the Delaware & Hudson between Binghamton and Albany, first-class rate, 35 cents a hundred. I will not read the other class, because the first-class rate is the basis for the others. The division the Delaware & Hudson gets out of that rate is 12.4 cents a hundred, and they want to exact from me 17.5 cents a hundred of the same rate.

The CHAIRMAN. Right there. Do you mean to say that they grant that?

Mr. MURRAY. That is the division; they take that rate. You go into the New York Central Railroad, and you will ship via them any first-class freight. The tariff is 35 cents a hundred from New York to a point on the Susquehanna division of the Delaware & Hudson. The Delaware & Hudson will get out of that for carrying it from Albany to Binghamton or any intermediate point 12.4 cents a hundred; but if you send that via my line—

The CHAIRMAN. If you send it via the water line from New York to Albany?

Mr. MURRAY. Send it by either of our lines from New York to Albany by water and then by rail, the railroad will get for identically the same haul, for identically the same freight, for identically the same distance, 17.5 cents a hundred.

The CHAIRMAN. About 5 cents more?

Mr. MURRAY. Yes.

Mr. HARDY. What about the intermediate handling?

Mr. MURRAY. The boat line has to pay for the handling and storing it in the car out of their proportion.

Mr. HARDY. Besides the 17.5 cents?

Mr. MURRAY. Besides the 17.5 cents.

I simply mention these rates. I presume the condition is the same in hundreds of other cases, but these rates I happen to be conversant with.

The rate from New York, say, to Saratoga Springs is 30 cents a hundred, and the Delaware & Hudson would get out of that if it went rail 10.7 cents; if it went by boat lines, 13.5 cents.

Going up on their Saratoga division, their rate would be standard, 40 cents; our rate, 37 cents. They allow us to make 3 cents a hundred less on the first and second class and 2 cents on the third and fourth class, and 1 cent on the fifth and sixth class, and this reduction comes entirely out of our proportion of the through rate—even the low through rate.

The standard rate would be 40 cents a hundred. The Delaware & Hudson would get out of that 14.4 cents, if it went by rail, and they would want 22 cents if it goes by the water lines.

Mr. STEPHENS. And in addition to that they get the 3 cents differential.

Mr. MURRAY. That 3 cents would come out of our rate. Where the standard rate is 40 cents, our rate would be 37 cents, but that 3 cents would come out of our proportion. You can see the position we are in.

Mr. HARDY. Out of that 37 cents they would get 22 cents?

Mr. MURRAY. They would get 22 cents.

Mr. HARDY. And you would get 15 cents?

Mr. MURRAY. Yes; 15 cents.

Mr. HARDY. And pay for the loading on their cars?

Mr. MURRAY. And have it loaded in their cars besides.

To West Rutland, Grandville, Poultney the standard rate is 30 cents and ours is 27 cents. The Delaware & Hudson would get 10.4 cents out of 30 cents or our 27 cents, if it went by rail, and would get 16.5 if it went by boat. To Champlain division, out of 45 cents a hundred they would get 22.25 if it went by rail, and 27 cents by water. That is substantially the same all through.

Mr. HARDY. Just one question. Would not it pay that Delaware & Hudson Co. to encourage as much shipment by your route as possible, because they made a bigger division there?

Mr. MURRAY. Of course, that is the other side of it. I do not know but it would, but their connection with the rails is of a great deal more importance than their connection with a little boat line.

Mr. HARDY. Is it probable that those rail connections and its own interests are practically one?

Mr. MURRAY. I can not answer that question, but you know fully as much, if not more than I do about those things. Those interests are usually intertwined. At one time Mr. Harriman was supposed to be the dictator of the Delaware & Hudson policy.

Mr. HARDY. Who owns the connecting lines? What lines do they connect there with from New York?

Mr. MURRAY. New York Central and West Shore are the only rail lines, except it may go down to Binghamton and then go into New York via the Erie.

Mr. HARDY. What is the connection between the West Shore, the Erie, and this Delaware & Hudson Co.?

Mr. MURRAY. What is the connection?

Mr. HARDY. Between those three railroads.

Mr. MURRAY. I do not know. You mean the financial connection? I can not tell you, sir.

Mr. HARDY. But, at any rate, they work to your detriment—the combination?

Mr. MURRAY. They are working to the detriment of all the water lines, I believe.

Mr. STEPHENS. Mr. Murray, you have shown there that the railroads exact from you a larger share of the first-class freight rates—

Mr. MURRAY. Of all classes—the same proportion.

Mr. STEPHENS (continuing). Than they do from the connecting railroads.

Mr. MURRAY. Yes, sir; discriminating against the water carrier.

Mr. STEPHENS. Are these railroads put to any more expense through taking freight from the water line?

Mr. MURRAY. I think it is much less expense. I will illustrate the thing. We will say that there is a carload of paper or a carload of marble or slate which comes down from Delaware & Hudson stations to Troy. They have to deliver that down to the Hudson River Railroad, haul it through Troy, across the Delaware & Hudson bridge, down through the city to the lower part of Troy. I use that as an illustration, because it is something with which I am perfectly conversant. They bring it right down to the dock when it is to go via our line alongside of their freight station, and we have to unload it or pay them for unloading it and putting it on my boat. So, I think, the advantage is entirely in favor of sending it by boat lines.

Another thing, they would have their cars under their own control all the time, instead of having them go to a foreign road, taking the time of going over to New York and below New York City to make deliveries, whereas, if they shipped via our line, they would have the car under their own control all the time, just as soon as unloaded right on their tracks.

Mr. STEPHENS. Do you say, then, that the expense the railroads incur in taking freight from water lines is always less than taking it from the railway?

Mr. MURRAY. I think it is there on account of the conditions. The Delaware & Hudson have very fine dock facilities at Troy for handling freight between boats and cars.

The CHAIRMAN. Mr. Murray, what is the situation so far as boat lines on the Hudson are concerned—are there any independent lines on the Hudson?

Mr. MURRAY. Why, yes, sir. There is the Catskill Line—they are nearly all independent boat lines. In fact, until some years ago it was the regular Kilkenny cat fight on the Hudson River. Now, it is not so bad, because the cats are pretty nearly all dead and have had some of the fight knocked out of them. But, there is an independent

line from New York to Yonkers, an independent line from New York up to Peekskill and intermediate stations. The Central Hudson is the next largest line, and they run to Newburgh and Poughkeepsie and Hudson. Then there is the Catskill Line, which runs up to Catskill and also to Hudson. Ours is just a freight line. We run from New York to Albany and Troy. We do not stop between there. The Hudson Navigation Co., the Peoples' Line to Albany, and the Citizens' Line to Troy are one corporation. They used to be independent. The others are all independent. Then there is any number of independent boats running backwards and forwards—canal boats and barges—carrying freight.

The CHAIRMAN. There is only one regular line from New York to Albany and Troy, is there not?

Mr. MURRAY. Yes; day line—I forgot one of the most essential lines, because it is not in the freighting business. Mine is more in connection with the freight business. I refer to the Hudson River Day Line that runs day boats only.

The CHAIRMAN. Of which Capt. White is the manager?

Mr. MURRAY. Capt. White is the manager. That is a very fine line and a very successful one.

The CHAIRMAN. They do not carry freight?

Mr. MURRAY. They do not carry freight; nothing but passengers.

The CHAIRMAN. You have no business relations with that line?

Mr. MURRAY. None whatever, sir.

The CHAIRMAN. Yours is a freight line?

Mr. MURRAY. A freight line, yes; and the night boats—the Peoples' Line—carry freight and passengers also on the boats *Morse*, *Adirondacks*, *Trojan*, and *Rensselaer*. They are now just finishing a new boat.

The CHAIRMAN. The charges between the same ports are the same by all lines, are they not?

Mr. MURRAY. Charges?

The CHAIRMAN. Charges and freight rates between the same ports?

Mr. MURRAY. The rates are the same. The rail rate from New York to Albany, first class, is 26 cents a hundred; to Albany and Troy by steamboat it is 23 cents a hundred; by the barge line it is 20 cents a hundred.

Mr. STEPHENS. There is no variation between independent boat lines on the Hudson?

Mr. MURRAY. There are no independent boats that run regular service. They come up there, and they would bring up lumber and ties and such things and carry down paving blocks and ice and coarse freights mostly. The lines I have reference to are the established lines with regular landings and keeping up a regular service.

Mr. STEPHENS. All of the established freight lines make the same rate from New York to Albany?

Mr. MURRAY. From New York to Albany we are the only ones that make a lower rate.

The CHAIRMAN. Your lines are the only regular freight lines between New York and Albany and Troy?

Mr. MURRAY. The only ones; yes, sir. The water lines out of New York—I want to speak about them. We connect—between us coming from our territory north—we connect with the lines out of New

York; that is the Morgan, Clyde, Mallory, Old Dominion, and all those lines.

They allow regular arbitraries to get the freight to their ships. But although we are willing to make a less rate than the established rates, we are not permitted to do it. It is really on account of our inexpensive service that we are able to accept less for our service than the arbitrary that is allowed. Now, I think we should be permitted to make as low rates as we can. Water lines out of New York should permit us to quote as low rates as we can between points in our territory and points in theirs, we, of course, to allow them their proportion of the through rate. That is, we do not ask them to cut their proportion of the rate out of New York, but we do not see any good reason why we should not be permitted to give the merchants of this country the benefit of the best service we can give them for the least money.

Mr. STEPHENS. In other words, you would be willing to quote a less rate from Albany by water to New York and thence to Galveston than you are permitted now to name?

Mr. MURRAY. Yes. We can not now name anything but the established tariff rates, less an arbitrary, which is sometimes more than we would be willing to accept if we were to be permitted to do so.

Mr. STEPHENS. How are you kept from it?

Mr. MURRAY. We can not quote less than the tariff, sir. We can not quote less than the tariff without coming under the provisions of the interstate-commerce law. We can not give the rebate. We used to give a rebate, and there was division, revision, and silence; but we can not have division and silence any more.

Mr. STEPHENS. On the South Atlantic business you could quote a much lower rate than you do quote?

Mr. MURRAY. At many of the points we would be glad to quote a much lower rate than we do.

Mr. STEPHENS. Approximately how much less?

Mr. MURRAY. I would have to have the tariffs here—but it has always been an item, sir. It was the item that got us the business year after year when we were not tied up by the provisions of the law.

Mr. STEPHENS. On first-class freight your rate from northern New York is—

Mr. MURRAY. Twenty-four cents to connecting lines. The rail rate would be about 30 cents to connecting lines.

Mr. STEPHENS. Twenty-four cents to connecting lines?

Mr. MURRAY. Yes; that includes cartage in New York. We are allowed more than that now. I do not want to cut my rate. The arbitrary that is allowed is more than that. For instance, I think the arbitrary must be at least 30 cents a hundred from Albany and Troy.

Mr. STEPHENS. If permitted to do so, approximately what rate would you name?

Mr. MURRAY. I think a dollar a ton less, without any question at all.

Mr. STEPHENS. Five cents a hundred less?

Mr. MURRAY. Yes.

Mr. HARDY. Does that arise by reason of the fact that through rates must be published with the Interstate Commerce Commission and approved by them?

Mr. MURRAY. Yes; and nobody is permitted to quote any lower rate, and our connections would not be permitted to deliver at a less rate. If we carried that freight from New York to Troy for 10 cents a hundred, as against 25 cents, our connection would have to bill it on the through rate.

Mr. HARDY. Why can you not local it to New York and then let them local it out of New York?

Mr. MURRAY. The rates from New York are the same as they are from our territory to all points except New Orleans, I think.

Mr. HARDY. That is, the through rates?

Mr. MURRAY. Yes.

Mr. HARDY. Is this division of rates between you and the Atlantic lines—the Mallory Line, for instance—is that rate fixed by the commission?

Mr. MURRAY. No; it is fixed by the connecting lines. You see at once the position we are in. We are a differential line and willing to accept less than the standard lines.

Mr. HARDY. That is, less than the standard rail lines?

Mr. MURRAY. Less than the standard rail lines and standard water lines. The standard water lines get substantially the same amount.

Mr. HARDY. So the Mallory and Morgan lines, for instance, under the authority of the commission, fix the same rate from Albany to New Orleans or to Galveston, whether it comes from Albany by rail or by water?

Mr. MURRAY. Yes; the rate has nothing to do with it.

Mr. HARDY. They can only get a certain proportion of that and you get the remainder?

Mr. MURRAY. Yes; they allow us certain arbitraries up to the ship's side, and it goes away up into New York State and Vermont, and over in Massachusetts the same rate applies.

Mr. HARDY. Could not the Interstate Commerce Commission now allow a differential in favor of your water line?

Mr. MURRAY. I do not know, sir. We shall have to do something.

Mr. STEPHENS. Does the Interstate Commerce Commission fix the rate exclusively by water from Albany via New York to Galveston?

Mr. MURRAY. They have decided that if any part of a water line comes under the jurisdiction of the commission the whole of it does. And we have had to change our system of accounting to comply with their forms.

Mr. HARDY. Because you in some instances come under their jurisdiction you always do?

Mr. MURRAY. Yes. For instance, roofing slate from up in Vermont and Washington County, New York State, and marble from up in Vermont going down to Texas and New Orleans; that comes under the provision of the interstate-commerce law. There is no question about that, because a part of it comes by rail, and it is interstate business.

Mr. STEPHENS. Yes; because part of it comes by rail.

Mr. MURRAY. And part of it when it gets down to Galveston or New Orleans goes up into Texas, and up into Colorado and to the Pacific coast, and that part of it is by rail even if it came from Troy.

Mr. STEPHENS. But where it never touches the rails.

Mr. MURRAY. We comply with the requirements, and the tariffs are filed just the same.

The CHAIRMAN. Have you any suggestions to make now about relief?

Mr. MURRAY. I have some suggestions. Water lines out of New York should permit us to quote as low rates as we can between points in our territory and theirs, we of course to allow them their proportion of through rates. The Boston & Maine Railroad, I understand, accept from us substantially the same divisions of the through rate as they accept from our competitor, the New York Central, but do not give us any rates east of the Hoosac Tunnel. They restrict our territory. They allow us to make differential rates to those points west of the Hoosac Tunnel. We have our differential rates in there. Beyond the Hoosac Tunnel we have no through rates. The Rutland Railroad does substantially the same way, but does not permit us to quote differential rates north of Rutland, Vt. The Delaware & Hudson permit us to make differential rates on the Saratoga, Adirondack, Rutland, Washington, and Champlain divisions, but do not give us the same divisions as they give our competitors, the New York Central and West Shore Railroads, and they refuse to permit us to make any differential rates to and from the Susquehanna division stations, although we have requested permission to do so. The Boston & Albany Railroad and New York Central Railroad will not permit us to make any rates over their lines; neither will the New York, New Haven & Hartford nor the New England Navigation Co. We are entirely barred from any business on the New York Central or the Boston & Albany Railroad.

Mr. HARDY. Has not the Interstate Commerce Commission power to make these railroads give you a rate?

Mr. MURRAY. I have been told and I believe there is a provision in the Panama Canal bill that gives them the power to compel just that thing.

Mr. HARDY. Did not the act of 1909 or 1910 require joint rates to be furnished?

Mr. MURRAY. Yes; but there was no authority there for the division of the rates. This whole question is a question of divisions. Why, the New York Central might say to me to-morrow, "Yes, you can go ahead. We will give you rates upon the New York Central, but our division is so-and-so." They might as well say we could not go there.

Mr. HARDY. In other words, they would charge their whole local rates.

Mr. MURRAY. Yes; and this same condition, I believe, is substantially the same all over this country, sir.

Mr. HARDY. My understanding was, from the Atlantic seaboard witnesses that appeared before us, that the roads into New York, in that territory going east, made no discrimination between any of the lines.

Mr. MURRAY. You mean the lines coming out of New York down here?

Mr. HARDY. Yes; the water lines coming out of New York and into Galveston, for instance.

Mr. MURRAY. No; they do not make any discrimination.

Mr. HARDY. But they make a discrimination at the Galveston end, going to the interior of Texas. They do not make it at the New York end.

Mr. MURRAY. The water lines out of New York, as near as I can find out, treat all the lines coming into New York on the same basis, substantially.

Mr. HARDY. And the rail lines coming into New York treat all the water lines going to the Atlantic the same.

The CHAIRMAN. Did we understand you to say that the Interstate Commerce Commission would not permit you to make the rate, say, from Troy to Galveston, what would be an all-water rate?

Mr. MURRAY. I have never applied for it, but I understand that is the situation.

The CHAIRMAN. They have no jurisdiction of port-to-port rates at all, and they have no right to prevent you from doing that, so far as we are advised.

Mr. MURRAY. If they did give us that, what particular advantage would it be, sir? The business to Galveston alone, like the business to any other port alone, is almost nil.

Mr. STEPHENS. You stated that in some instances you would like to reduce the rate, you would like to accept a less rate?

Mr. MURRAY. I would be glad to, sir.

Mr. STEPHENS. This is one opportunity for you to do so.

Mr. MURRAY. I could only get to Galveston.

Mr. STEPHENS. New Orleans would be a similar port.

Mr. MURRAY. To New Orleans the rates are fixed. There is a through rate into New Orleans. The first-class rate from New York to New Orleans is 70 cents a hundred.

Mr. STEPHENS. But, Mr. Murray, the Interstate Commerce Commission, as I understand, does not fix the rate from Troy to New Orleans if all by water.

Mr. MURRAY. I do not know that they do, but yet the rates are fixed, and the Interstate Commerce Commission has never interfered with the thing.

Mr. Post. They have no right to interfere.

The CHAIRMAN. I suppose the reason the Clyde and Mallory Lines will not give you a different rate or permit you to—

Mr. MURRAY (interposing). To quote a lower rate than the tariff rate.

The CHAIRMAN. Yes. That is simply because of their relation to the railroads. Now, they have through rates from interior points in New York and Vermont by rail to the seaboard and thence to Galveston. They have filed those through rates with the Interstate Commerce Commission as required by law. Now, this traffic you are speaking of from Troy to Galveston is freight that originated at points beyond Troy?

Mr. MURRAY. Some of it, and some of it comes from Troy.

The CHAIRMAN. Yes: that is purely local from Troy to Galveston, and, as I understand the law, the Interstate Commerce Commission would have no jurisdiction over it at all. The Mallory Line would be compelled to accept your rates as between the two boat lines. But if it is traffic originating beyond Troy, if it is through traffic, part rail and part water, then you are required to file your rates with the Interstate Commerce Commission.

Mr. HARDY. The solution of the matter, I take it, is about this: That the Mallory and Clyde Lines being in an alliance with the railroads and wishing to maintain railroad rates and prevent your

differential, since the Commerce Court has no jurisdiction of port-to-port rates, if you would give a differential they would raise their proportion of the freight from New York to Galveston. In other words, there is nothing to prevent them giving you one rate and the railroad another rate?

Mr. MURRAY. That is just what they are doing, sir.

Mr. HARDY. You see, Mr. Stephens, that is what they are doing here. The Mallory Line can charge Mr. Murray one rate while they are charging the railroad another rate.

Mr. STEPHENS. I think he is kept from reducing his rate from Troy to New York by the steamship company and not by the Interstate Commerce Commission.

The CHAIRMAN. Certainly. I do not think it is the Interstate Commerce Commission's fault at all.

Mr. HARDY. But the fact that the Interstate Commerce Commission can not say to them, "You can not charge the same rate of freight from New York to Galveston, whether you receive that freight from a water line or a rail line," enables them in case they receive the freight from you to charge you more, and if you reduce your rate they will raise theirs, so the through rate will be the same?

Mr. MURRAY. That is what I said awhile ago. If we were carrying freight at a less rate our connecting lines could not do anything but charge the tariff rate to destination, unless there is authority given to us—

Mr. HARDY. Your connecting lines could do it if they wanted to, but if you had a through rate to some interior point in Texas that would be greater, or if you had freight shipped from some interior point—

Mr. MURRAY. I think there should be some authority. For instance, in connection with this southern and western business the rate is established. It is a fixed rate. The tariff is filed, and the arbitrary from our territory down to the ship's side is so much. Now, if I can afford to carry that business for less than the arbitrary I think I ought to be permitted to make that rate. I think the shipper up in our country who is trying to get into that territory and the merchants and manufacturers down there who want to get business should be permitted to get the lowest rate they can.

Mr. HARDY. I think you are allowed to charge less, but that does not prevent the boat from making the difference up.

Mr. MURRAY. My customer does not get the benefit of it. There would be no benefit in that condition. For instance, our territory is the largest marble and slate territory in this country, and there is more paper manufactured up there than in any other section of the country. Those are the things that are moving right along by rail and by water; they are things that are moving every day. We carry thousands of tons of marble, slate, etc.

Mr. STEPHENS. Do you take them from the rail lines?

Mr. MURRAY. We take them from the rail lines, at Troy from the Boston & Maine or the Rutland Railroad, or the Delaware & Hudson, and take them to New York and deliver them alongside the ship's side. On carload freight we have one advantage over our competitors, and that is, that instead of lightering our freight we send our barges right alongside the ship and save one rehandling in New York.

Now, that business is moving right along, but I can not give the shipper up there the benefit of our lower rate. In other words, the customer can not benefit by that because there is the tariff, and if I carry it to New York for nothing the line out of New York would have to collect the full railroad rate. He would have to do it under the law if it went to any railroad point.

Mr. HARDY. The freight that went solely from Albany?

Mr. MURRAY. That is only a small part of it. Take the Clyde Line. There port-to-port business would not support anything like the service they have. The local port-to-port business is a small matter.

The CHAIRMAN. Is there anything further?

Mr. MURRAY. On account of our slower service the lines out of New York should allow us to quote as low through rates as we can afford to make; we, of course, to allow them and their connections their proportion of the through rates beyond New York.

The rail lines north, east, and west from Albany and Troy should be compelled to accept from regularly established water lines the same proportion of the through rates as they accept from their most favored connection or patron and should permit us to make as low rates as we can afford; and the steamboat lines, on account of the rehandling of property when shipped partly by water and partly by rail, should also be permitted to make lower through rates than the all-rail rates, the reduction to come out of the steamboat's proportion. This condition, I believe, should also apply wherever water lines can connect or do connect with railroads.

Railroads should act as feeders and distributors for carriers by water and vice versa, thereby giving to the manufacturers and business interests of the country the benefit of the lowest rates for freight to and from all points.

I do not think there is anything further.

Thereupon, at 1.15 o'clock p. m., the committee stood adjourned to meet to-morrow, Saturday, February 22, 1913, at 10.30 a. m.

SATURDAY, FEBRUARY 22, 1913.

The committee met at 10.30 o'clock a. m., Hon. Rufus Hardy, presiding.

Present: Representative Post.

TESTIMONY OF MR. GEORGE S. JACKSON, EXPORTER OF GRAIN, BALTIMORE, MD.

(The witness was duly sworn by the acting chairman.)

Mr. HARDY. Please give the committee your name and your business relations.

Mr. JACKSON. I am an exporter of grain in the city of Baltimore.

Mr. HARDY. Will you make a preliminary or voluntary statement of matters that occur to you which you think would be of interest to this committee?

Mr. JACKSON. Yes, sir. I came over here with the desire to enter a protest on behalf of my own firm, because of the fact that the great

highways of the ocean are being parceled out to business without consideration to the merchants in this country. A large part of it is done by combinations where the great interest is in another country, and the merchants of this country feel they ought to have such legislation as would correct that.

Our own business in a normal year is terribly handicapped by this parceling out of what ocean tonnage is available. We really, in a normal year, hardly do enough business to make a living out of it, because we are not allotted enough ocean freight to keep the business going. In a year like the present, where the freights have risen to such a point where we can get what is known as tramp tonnage, it makes no difference; but in a normal year, where we have to depend on what is called the regular-line service, we are allotted a certain amount of freight. And it has become so that it is particularly small from our point, and we are therefore handicapped in doing business which could be freely done.

Mr. HARDY. Baltimore is a great city; why can not you organize and charter vessels yourselves and do your own business?

Mr. JACKSON. We do that whenever the rate is high; but every attempt to put on what is known as a regular service has been throttled by these combinations. There have been at least 10 attempts in Baltimore to put on a regular service.

Mr. HARDY. Will you give this committee, as briefly as you can, a history of those attempts, and how they were throttled?

Mr. JACKSON. I am not an expert on this point, and my business is exporting grain. I have had no personal experience in the steamship business. But it was found the railroads would not give the proper facilities for the terminals. It was found that immediately a line was started for a point the rate to that point on the regular line, or some line which delivered the goods to some near-by point in Europe, became abnormally low, so that in the course of time it was most discouraging to anybody to put on the tonnage as a regular line.

Mr. HARDY. In order to get that clear, pick out two or three of the instances most thoroughly representative of that situation and give us a little history of it.

Mr. JACKSON. Going back a good many years, there was an independent line from Baltimore to Rotterdam. It was run by the firm of Dressel, Rauschenberg & Co., in connection with some English shipowners. That line has had as many ships in Baltimore as a hundred in a year. That line was absorbed and taken over by the Holland-American Line, and instead of Baltimore having an independent service the Baltimore service has been forced out, and we are now dependent on the allotment from the central agency in New York, which says, "Baltimore can do this much business," and we can not do any more. I can not tell, from my own knowledge, how that was done.

Mr. HARDY. Does this firm of Dressel, Rauschenberg & Co. represent the Holland-American company now?

Mr. JACKSON. They do.

Mr. HARDY. So they have become one?

Mr. JACKSON. They have become one, and we have a very restricted service. For instance, in my business this year, since the 1st of September, I sold 500,000 quarters of business to Rotterdam. That is about 8½ bushels to a quarter. We have only been able to get freight

on this line for 50,000 quarters of that, or about one-tenth. We have had to charter steamers to take care of that business. That is simply because the agent in New York, who controls the freight on the Atlantic seaboard, did not allot to Baltimore any more freight. It does not make so much difference when the rates are high, because we can charter tramp steamers; but in a normal year, when we can only get regular steamers, we feel the Atlantic Ocean ought to be open to competition for American merchants, with perfectly free competition, on steamships between American ports and European ports.

Mr. HARDY. What did you mean by the use of the expression "agency in New York"?

Mr. JACKSON. Why, every bit of freight contracted out of Baltimore on what we call the regular line is engaged from New York. The Baltimore agents have no more say in the matter. If we want to learn a rate, or if we want to know how much space we can get, we have to telegraph to New York. We can not get anything done in Baltimore any more. Whereas five or six or seven years ago the Baltimore agent was the agent of the line, and he fixed the rate and the quantity, now it is controlled in New York, and they allot not only the quantity, but the rate is fixed there.

Mr. HARDY. How does your rate compare with the New York rate?

Mr. JACKSON. Our rate is higher, always. I would not say always, but it is nearly always higher than the New York rate.

Mr. HARDY. What is the comparative distance from Baltimore and New York to Rotterdam?

Mr. JACKSON. I should say the steamer would have some 300 miles farther to go from Baltimore to Rotterdam than from New York.

Mr. HARDY. To what other points do your shipments go besides Rotterdam?

Mr. JACKSON. Rotterdam, Hamburg, Bremen, Belfast, Dublin, Havre, Leith, Antwerp, London, Liverpool, Glasgow, and Copenhagen. Those are the regular line points.

Mr. HARDY. Does that difference of about 300 miles apply practically to all those ports?

Mr. JACKSON. Yes. The boat goes 150 miles down the bay, then comes up 150 miles on the other side of the peninsula, until it gets on an even point to start across.

Mr. HARDY. So, Baltimore is about 300 miles farther?

Mr. JACKSON. By the ocean voyage.

Mr. HARDY. And by right and reason should have a little higher rate than the other port?

Mr. JACKSON. Yes; I think it should.

Mr. HARDY. How do the freight rates on grain coming to Baltimore, from points of origin, compare with the rate to New York? Which is higher?

Mr. JACKSON. Ours is less. There is a differential established by the Interstate Commerce Commission.

Mr. HARDY. Does the differential amount to more or less than the difference in the ocean freights?

Mr. JACKSON. I should say on what is known as lake and rail grain, which is grain that comes to Baltimore via the Great Lakes, the steamship freight on Baltimore grain is much greater than the differential on grain coming all-rail to Baltimore. That is, from the

country west from Chicago, by through service on the train, the differential is about the same all rail as we lose on the steamer.

Mr. HARDY. But all water from the Lakes to Baltimore?

Mr. JACKSON. There is a very small differential between New York and Baltimore on that sort of grain.

Mr. HARDY. That is the reason that sort of traffic goes up through the canal and down to Buffalo?

Mr. JACKSON. We have to haul from Buffalo to Baltimore as well as New York hauls from Buffalo to Baltimore. Therefore the differential made by the Interstate Commerce Commission is very small on that business, although we have a shorter line.

Mr. HARDY. You named a number of places where your shipments go. Is there more than one line running to any of those places?

Mr. JACKSON. No, sir.

Mr. HARDY. Your city has not only its tonnage allotted, but the line to each particular export port is the only line?

Mr. JACKSON. Yes, sir. At Hamburg we have only one line. At Bremen we have the North German Lloyd. At Dublin we have the Lloyd Line. Belfast is controlled by the Atlantic Transport. Havre is run in a peculiar way. The boats that go to London, Havre, and Antwerp, are controlled by the same companies. They run under a different name.

Mr. HARDY. So that the Baltimore export trade is divided among the different cities and among the different lines, and these lines do not infringe on each other?

Mr. JACKSON. Not the slightest bit. They find out the worth of the freight to that point, and they say what the rate is going to be. They keep thoroughly posted on what we can get tramp freight for to that point and keep theirs a little above the tramp rate, because going by a regular line boat, the grain is worth more in Europe. The grain will bring a little more money, because the merchant in Europe knows that he is going to get a regular service, and he knows when he is going to get the grain.

Mr. HARDY. These regular lines are parceled out to you both as to tonnage and service at a slightly higher rate than the tramp steamer?

Mr. JACKSON. Yes, sir. They keep thoroughly posted on what the tramp rates are.

Mr. HARDY. But they still keep their rates low enough to get the business?

Mr. JACKSON. Yes.

Mr. HARDY. I was just about to ask you what evidence, if any, you have that all of these lines running out of Baltimore to the different points in Europe work in perfect harmony and to their mutual interests.

Mr. JACKSON. Because they have these meetings in New York and arrange about the rate, and the agency can not name the rate in Baltimore as an independent agency, but have to go to New York.

Mr. HARDY. Do you know of your own knowledge that they do have these meetings between the different lines?

Mr. JACKSON. No, sir; I can not swear to that.

Mr. HARDY. That is just a general understanding you have?

Mr. JACKSON. It is knowledge I have, but I can not prove it.

Mr. HARDY. It seems to me that understanding is definitely shown by the fact you stated a moment ago, that each line has a particular route, and no other line breaks in on it.

Mr. JACKSON. Yes, sir.

Mr. HARDY. And you are allotted just so much space for grain tonnage. Does that allotment include all the different lines from there?

Mr. JACKSON. Yes, sir. None of the steamers trade to any other port. For instance, the Hamburg-American, the Holland-American, and the North German Lloyd go to three or four American ports.

Mr. HARDY. Let us take the Hamburg-American Line that goes to New York.

Mr. JACKSON. All the Baltimore boats come in from Hamburg to Boston and discharge their inland cargo at Boston. Then they come down light to Baltimore and load outward cargo, because the outward rate from Baltimore is much higher than from Boston.

Mr. HARDY. Those vessels coming in at Boston do not touch New York?

Mr. JACKSON. No, sir. It is a different class of vessels, a poorer class, what we call old boats of the Hamburg-American Line.

Mr. HARDY. Old Hamburg-American Line boats?

Mr. JACKSON. They are not necessarily old, but they are not first-class steamers like they run out of New York, and therefore they would not be suitable for New York.

Mr. HARDY. They touch Boston and Baltimore?

Mr. JACKSON. Yes, sir; and some touch Philadelphia and Newport News also. We do not know how much of that freight we are going to get at Baltimore. It depends on what freight is offering. If the rate is a little more out of Philadelphia, they do not come to Baltimore.

Mr. HARDY. Does the New York agency control this line that goes into Boston and thence to Philadelphia, or to Baltimore?

Mr. JACKSON. Yes, sir; absolutely. Every one of those people have to find out what New York is going to do before they can turn a hair.

Mr. HARDY. You know that because you know when a vessel is due at Baltimore you have to telegraph or communicate with New York to find out how much space you can get. Is that it?

Mr. JACKSON. I do not do it personally; the agent of that line at Baltimore does that.

Mr. HARDY. You go to the agent in Baltimore, and he has to communicate with the agent in New York?

Mr. JACKSON. He is allotted a certain amount, and then after getting that allotment made he might keep on after the people, and maybe they would allot him a little more; or sometimes the allotment is cut down.

Mr. HARDY. Your agent at Baltimore has to get his allotment for that vessel—coming from Boston to Baltimore or Philadelphia—from New York?

Mr. JACKSON. Absolutely; and while he may think he has good freight and they ought to take it, he can not do it, because he has to go to New York to find out. If he thinks he ought to take that freight because there is a good rate, he has to go to New York and ask if they want to do it, which handicaps us very materially.

Mr. HARDY. Is this allotment made in bulk—that is, as to the whole ship—or is it made as to special shippers?

Mr. JACKSON. For instance, a steamer would be coming to Baltimore and it would want 10,000 quarters of grain to make up what is known as proper storage for that ship. They have, say, space for 10,000 quarters of grain in Baltimore for that shipment, and the agent would go about and get what he could for it.

Mr. HARDY. The agent in Baltimore, then, determines who shall have that space?

Mr. JACKSON. No, sir. That is a perfectly fair proposition. He determines that on the rate he can get. He goes to one merchant and says, "I have this freight; what will you give for it?" They bid on that freight, and he does not determine that one man will have 2,000 and another one 8,000. He puts it up for sale.

Mr. HARDY. That is not done in New York, but is done in Baltimore—the disposition of this space that is allotted?

Mr. JACKSON. Yes, sir; that is done in Baltimore.

Mr. HARDY. Is Baltimore the last port of call on that route back to Europe?

Mr. JACKSON. Yes, sir.

Mr. HARDY. So that, practically, you are the last ones served. How does that place you?

Mr. JACKSON. We are not only the last ones served, but we only get our proportion of the business by having the rate we do. It is a fact that we have the highest outward rate of any Atlantic port. That is the only thing which gives us any business at all.

Mr. HARDY. And is it not possible that if this vessel would fail to get a sufficient load at Boston and Philadelphia it might have more space and give you the advantage of the unfilled space?

Mr. JACKSON. Yes, sir; they have.

Mr. HARDY. Then you would have that space?

Mr. JACKSON. Yes, sir. They hold it for whichever port they can get the best rate. They have no feelings about cities, I think.

Mr. HARDY. I have no doubt that is so, but how does it generally operate?

Mr. JACKSON. It generally operates that we get a very much smaller proportion of freight than we need, or should have if there was competition.

Mr. HARDY. You mean to say that under present conditions the regular lines do not furnish Baltimore with sufficient tonnage?

Mr. JACKSON. I am absolutely certain of that, sir. We took that up with them in New York—the merchants in Baltimore did—and they promised better service, but we do not get it.

Mr. HARDY. In lean years, when there is a scarcity of freight, then Baltimore gets sufficient?

Mr. JACKSON. In lean years, when there is a scarcity of freight, is the time we do not get it, because they do not put enough boats in to Baltimore to make a sufficient freight-carrying capacity to take away what is offered.

Mr. HARDY. In other words, when traffic is light they have to take that business?

Mr. JACKSON. No; they only run to their own port, and take what is called high-class freight out of New York and Boston—what is called package freight. It brings much more money for the cubic

space than grain and heavy stuff which goes out of Baltimore, and they load their boat at the other ports; and we do not get enough boats to put on to make competition to bring the rates down.

Mr. HARDY. So that when the traffic is low the boat goes to New York and the other ports and is put on the regular lines there?

Mr. JACKSON. I do not know how they work it, because I am not familiar with it, but they make this freight coming from the west go to these other ports.

Mr. HARDY. In other words, they force the freight to go to New York?

Mr. JACKSON. Yes, sir.

Mr. HARDY. And the other Hamburg line takes that freight?

Mr. JACKSON. They run it in the expensive steamers in order to keep them going. They put in a boat to get the freight, and we only get the steamers here when they can get a higher price.

Mr. HARDY. I will ask you to proceed and finish your statement without interrupting you.

Mr. JACKSON. I have very little more to say. The only point is the condition of our business in the last six months. We have chartered freight for about 16,000,000 bushels to Europe, and we only got 3,000,000 of that by regular lines, and had to employ tramp steamers for all the balance of it.

Mr. HARDY. That is all what they call bulk cargo, is it not?

Mr. JACKSON. That is bulk cargo.

Mr. POST. You have no difficulty in getting cargo?

Mr. JACKSON. No, sir. We have difficulty in obtaining freight. That is our difficulty, the handicap which we are always up against since these lines have been virtually consolidated, and the control is not in this country. That is the handicap in the exportation of American grain, which I personally deal in. I do not know how it is in other lines.

Mr. HARDY. Let me ask a question there. The question whether the control is in this country or somewhere else is not material. It is the question of dollars and cents to their management. It would probably be just the same whether the control was in this country or elsewhere?

Mr. JACKSON. Absolutely.

Mr. HARDY. What is the disadvantage involved in the necessity you have of going out and getting tramps chartered and the other vessels, instead of relying on some regular lines?

Mr. JACKSON. Because grain shipped by regular lines brings a higher price, because it is a regular service, and therefore the merchant in Europe wants to have his corn or oats or wheat in at a certain time, and he will pay more money, and we will get a larger percentage of profit.

Mr. HARDY. About what percentage is the difference between your price obtained from the tramp ships and the regular lines?

Mr. JACKSON. Take Hamburg, where the facilities of discharge of the Hamburg-American Line are perfectly wonderful. In Hamburg—I should say it was worth three-fourths of a cent a bushel more to ship grain by the Hamburg-American Line than it would be by the tramp steamer. In other words, the merchant in Hamburg—take the question of corn—will hardly buy by tramp steamer. He wants it to come by the Hamburg-American Line, where the facilities of

discharge are wonderful. The terminals in Hamburg are worth to him 1 per cent.

Mr. HARDY. You say you shipped 16,000,000 bushels of grain?

Mr. JACKSON. Yes, sir.

Mr. HARDY. 16,000,000 bushels at three-quarters cents a bushel, or rather on 13,000,000 bushels, as you say you shipped about 3,000,000 by the regular line, would amount to a good deal of money, would it not?

Mr. JACKSON. Yes, sir; but I could hardly say that applied to all of them. It applies to places where they have what you call a good line. The Hamburg-American and the North German Lloyd Lines are good lines—that is, they are fairly fast boats.

Mr. HARDY. That difference does not apply?

Mr. JACKSON. That difference does not apply to places where they have not a fairly fast regular service, because people will pay just as much for tramp service, in some cases, as they will on a regular line, because the regular line is not good enough to make any difference, but the Hamburg-American and the North German Lloyd Lines, as an example, are fairly good lines; they run better boats.

Mr. HARDY. In the Hamburg-American Line you do have that difference?

Mr. JACKSON. Oh, easy.

Mr. HARDY. It has been intimated to us that this Hamburg-American Line, and perhaps some other lines, enjoy peculiar railroad privileges when they get into Germany or Holland, wherever it is. Some of the German lines, I understand, are given special rates on railroads. Do you know anything about that?

Mr. JACKSON. I do not. I only know from personal observation that in Hamburg the facilities of the Hamburg-American Line are so immense—

Mr. HARDY (interposing). Dr. Huebner tells me that applies more to exports than to imports, and possibly not to imports at all, but it applies to exports and to materials of certain kinds.

Mr. JACKSON. You see in Hamburg they have what is known as the free port, and grain and products from our country going in there, where there is such a high duty, are all taken into this free port, of which products the Hamburg-American Line handles nearly all, and they are distributed to Scandinavia and Russia and places like that, without paying the duty. That is a most wonderful advantage to the man in Hamburg who is handling grain. He gets this boat in from America, and takes it into a place where the duty is not collected, called the "free port."

Mr. HARDY. We have a drawback here of 99 per cent of the duty on any grains imported into this country and then reexported. Do you mean to say that as to the Hamburg Lines and their port facilities and accommodations there, that they pay absolutely no duty on the goods they get in on their boats, that are for export?

Mr. JACKSON. I think they pay none, sir. It is called the "free port," and the boats go into this free port and discharge their stuff to boats that take it to other countries; it does not go into consumption in Germany at all.

Mr. HARDY. In other words, it is treated just as though it were passing through that country without duty?

Mr. JACKSON. Yes, sir; and it is the facilities for doing that which makes this demand for this kind—

Mr. HARDY (interposing). Suppose your tramp vessel goes there and unloads at Hamburg?

Mr. JACKSON. It has to unload in the stream—in the river.

Mr. HARDY. Suppose a merchant is buying from you and intends to export it to Russia. Does he have to pay the duty?

Mr. JACKSON. No, sir; but he has to take it out under bond in the river. The boat has to anchor in the river, and he takes it out under bond; that is, the Government puts a man there, and there is a certain expense connected with it. In the case of a storm they have to stop work, and in the event of various contingencies, which are rather difficult to specify offhand, which result in increasing the expense of doing it from the stream, of unloading from the ship to these little boats that take it up into Scandinavia. The expense will be very much greater.

Mr. HARDY. In other words, the Hamburg-American Line has accommodations which relieve them of a great many minor expenses which these other vessels have to bear?

Mr. JACKSON. Yes, sir; that is about it.

Mr. HARDY. What methods are pursued by the Hamburg-American Line or by the North German Lloyd or other established lines to put you out of business, if you start, in reference to the question of securing your own facilities?

Mr. JACKSON. They do not want to put us out of business. They want to put these people out of business who have tried to establish these lines. My experience was, when I lived in Philadelphia, there were two or three people who started a business. Peter Wright & Sons started business, and they made it too uncomfortable for them, largely through the railroads, in my opinion, and they could not continue and had to give it up in despair, because the railroads will first let you have a dock, then the next time you come in you have to go to another dock, and all the freight will have to be shifted around from one dock to the other, and the boat would have to stay there three or four weeks. This was several years ago.

Mr. HARDY. The Peter Wright concern, which you say was bandied about from pillar to post under that sort of treatment—what has become of them?

Mr. JACKSON. I think they have dried up, sir.

Mr. HARDY. Has not that concern been bought out by some of these lines and absorbed?

Mr. JACKSON. No, sir; I do not think that it was. I think they dried them up.

Mr. HARDY. I will state we have already testimony before us to the effect they have been bought out and retired and gone into a pool. Is there anything else you think of, Mr. Jackson?

Mr. JACKSON. No, sir. I will only say I think this country ought to have some relief in respect to this situation.

Mr. HARDY. I should like to have you state briefly, if you can, what remedy you think the situation demands—what legal remedy?

Mr. JACKSON. I could not answer on that score, but I should say the same regulations as govern the railroads should govern the steamships, and if a power to pool is inherent in the steamship traffic, that it should be controlled by legislation of the United States.

Mr. HARDY. Have you thought about the question of what power we might have as to rates that prevail between Europe and this country, one end of the line being foreign country and one end being in the United States?

Mr. JACKSON. If you prohibit a person from trading in your ports who does not follow your laws, it seems to me you could control him.

Mr. POST. Might not that destroy your commerce?

Mr. JACKSON. I do not think so. I do not think you can destroy commerce. I think, for instance, if the American grains are for sale, the merchants of this country will find some way to get them to Europe.

Mr. HARDY. Will you explain the substance of a provision you think would be applicable to the situation?

Mr. JACKSON. I should think we should make them establish themselves in this country, and through the fact of their establishment here, we would be able to exercise control over them. In other words, the Hamburg-American, the Holland-American, and the North German Lloyd Lines are going to trade regularly with the United States. Now, if you require them to establish themselves under some provision of the law and become amenable to the laws of the United States, I believe in that way we could exercise the necessary control over them.

Mr. HARDY. Would you think that would involve the prohibition against their establishing pooling arrangements for their freight from Europe to other countries?

Mr. JACKSON. I do not think, sir, the inward-bound stuff is easily controlled, because if their own Governments do not want to control them at their end of the line, we could hardly control them here. But if they are going to take our merchandise and be the exporters of it, and have the facilities of our ports at their command, it seems to me we could then control the method under which they should handle it.

Mr. HARDY. That is, our exports.

Mr. JACKSON. Yes, sir.

Mr. HARDY. But if you give them the advantage of pooling arrangements on their westbound freights—

Mr. JACKSON (interposing). But you see 75 per cent of the steamers that come to this country come light. The shipping of the world is so situated that 75 per cent of the boats that come to Baltimore, our port, come there with nothing in them. Now, if you control the outbound, the inbound cuts very little figure.

Mr. HARDY. That simply means our exports are heavy and our imports are light freight?

Mr. JACKSON. Yes, sir; our imports are dressed goods. We import feathers and champagne and things of that kind, which do not take up much space.

Mr. HARDY. And our exports are cotton and grain and the heavier materials, are they not?

Mr. JACKSON. Yes, sir; they are heavy materials, which fill up these boats.

Mr. HARDY. If you could be given sufficient tonnage, have you any objection to any other practices of this combination?

Mr. JACKSON. Yes; I have a personal feeling against being controlled, against having my business directed from some other place. It is hardly a "dollars and cents" feeling, but it seems, take the case of Baltimore, why should you have to run over to New York every time you want to get 1,000 quarters to Europe? It is against my grain. I want to fight right there.

Mr. HARDY. Have you not a personal feeling against another proposition, namely, that somebody should have the right to fix—regardless of the question of right or wrong or any interest you might have—that they should have the absolute and uncontrolled right to charge you 10 cents to-day and 20 cents to-morrow for the same service, according to whim and will only?

Mr. JACKSON. I have an absolute feeling that I do not want anybody to control the highway of the ocean, because they do not require rails and tracks and things of that sort. But nobody can very long control the rate of freight, because the rate of freight changes every day, and I do not think any human being on the ocean can control the rate of freight. For instance, we will have a steamer one day and the rate will be 10 cents on a tramp steamer, the next day it will be 9 cents, and the next day 11 cents; so nobody can control that, because if these combinations put up the rate for the heavy class of goods that go out of the United States they would soon lose them.

Mr. HARDY. Do you mean nobody can control the rates; that they can not control the rates on this bulk freight that goes out on these vessels, but can control the rates on the package freight?

Mr. JACKSON. They have absolute control of it.

Mr. HARDY. Viewed as a question of policy for the Government to consider, that package freight is the most expensive shipment, is it not?

Mr. JACKSON. In some cases it is twice as high as grain.

Mr. HARDY. Take it all in all, it is the most important, is it not?

Mr. JACKSON. It is the most important element of freight; yes, sir.

Mr. HARDY. So far as dollars and cents are concerned, is it not?

Mr. JACKSON. Yes, sir.

Mr. HARDY. Under any policy of right, that package freight should be left free of combinations, should it not?

Mr. JACKSON. I think these combinations on the ocean highways are absolutely wrong; I think they are against public policy.

Mr. HARDY. In what way would you control these combinations?

Mr. JACKSON. I would make them establish themselves in this country in some legal manner as citizens of this country or else not allow them to trade. I would regulate them as citizens of this country. It seems to me that would be possible. A foreign corporation comes into Maryland and has to establish itself. Now, why should not a foreign corporation coming into the United States have also to establish itself?

Mr. HARDY. You mean simply submit themselves to the law of this country?

Mr. JACKSON. I mean they should be required to submit themselves to the jurisdiction of the laws of this country or else they should not be allowed to be regular traders.

Mr. HARDY. The only question in my mind is this: You probably would not be able to require of a man that is in the shipping busi-

ness that he should give you 10 ships-or 1 ship, or anything of that kind.

Mr. JACKSON. I do not want to require him to do anything. I only want to require that he shall not restrict me from doing it.

Mr. HARDY. How does he restrict you from doing it?

Mr. JACKSON. Because we could easily enough run a line from Baltimore to Rotterdam, say.

Mr. HARDY. What prevents you from doing so?

Mr. JACKSON. Because the railroads will give us facilities on paper, but as an actual matter of fact they will not. Besides, they will immediately put in what they call these "fighting" ships and reduce the rate, with their \$10,000,000 capital, so in the course of a few years we will be driven out.

Mr. HARDY. Your objection, then, is to the fighting ship and to the railroads shunting you off, is it?

Mr. JACKSON. If you go to talk to the railroads about putting in these lines they will say: "Go ahead and put them in." But when you get down with a ship you find you have not a dock, and they will say that the dock has just been allotted to the North German Lloyd, and they will say they are sorry but can not at present give you proper loading facilities.

Mr. HARDY. Then there is a combination between the railroads and the steamship lines, do you mean?

Mr. JACKSON. I do not think there is a combination as far as dollars and cents are concerned, but there is a combination amongst the people in control of all these things that the steamship lines shall not be interfered with. It is a question of policy adopted by these combinations.

Mr. HARDY. What you want to get after, then, is these railroads and this fighting-ship proposition, is it not?

Mr. JACKSON. Yes, sir. I can not but believe that if the railroads would encourage independent steamship lines they would get them very quickly.

Mr. HARDY. What kind of prohibition would you impose on the railroads as to giving favors to the regular lines over your new independent line?

Mr. JACKSON. It seems to me that the proposition which must come up very soon is the question of coastwise trade, and if you can not control your own coastwise shipping how are you going to control these foreign ships?

Mr. HARDY. I should like to know what you propose to do with the coastwise ships under a similar situation?

Mr. JACKSON. Simply put them under the jurisdiction of the Interstate Commerce Commission. I have been brought up among cut rates and rebates all my life, and I know something about the situation. I know we have the railroads in pretty good shape. Why can we not get the steamboats in the same condition?

Mr. HARDY. You would have port-to-port rates established under the jurisdiction of the Interstate Commerce Commission in the coastwise trade, would you?

Mr. JACKSON. Yes, sir.

Mr. HARDY. Have you ever given any consideration to the question as to whether maximum and minimum rates should be established through that tribunal?

Mr. JACKSON. No, sir; I have not. I would have a rate that was changeable on 30 days' notice, just the same as we have on the railroads.

Mr. HARDY. Changeable on 30 days' notice?

Mr. JACKSON. That the rate can not be changed without 30 days' notice.

Mr. HARDY. You would have a maximum and minimum rate, then?

Mr. JACKSON. That is hardly a maximum and minimum. I think the arrangement of these rates, for instance, from Baltimore shipping to southern ports, is ridiculous. You can ship grain cheaper from Buffalo to Jacksonville by rail and water than you can from Baltimore direct.

Mr. HARDY. How is that?

Mr. JACKSON. You can ship grain, I think, from a point through Baltimore cheaper than you can from Baltimore direct.

Mr. HARDY. All water?

Mr. JACKSON. No; it is part rail and part water. But the through line is cheaper than the line from the point where the boats start. There are all sorts of things like that in the situation.

Mr. HARDY. That has practically been the situation until recently largely on the railroads. They could ship on through rates cheaper than from point to point.

Mr. JACKSON. Exactly. Now, where we have combination rail and water rates, it is often cheaper on the through rate from a hundred miles in the interior than it is from the place the boats start from. That could be corrected, in my opinion. The rate from New York to Jacksonville—

Mr. HARDY (interposing). Via Baltimore?

Mr. JACKSON. Via Baltimore, is exactly the same as it is from Baltimore, yet they come right to Baltimore and go to Jacksonville.

Mr. HARDY. Is that all water?

Mr. JACKSON. All water. There are lots of those peculiarities of rate making, it seems to me, which could be corrected if the same principles were put into effect as are applied in the rail shipments.

Mr. POST. What would be the effect of compelling them to file the rates with the Interstate Commerce Commission? They could not change them within 30 days on bulk freight, could they?

Mr. JACKSON. They virtually do that now with the railroad connections.

Mr. POST. There is a wide difference between the railroad and the ship.

Mr. JACKSON. The steamship company with railroad connections tells the railroad agent that in the next 30 days they can work on this rate on freight. The railroads do not run after them in the West to get a rate on the water end. They know what the rate is. Why can not the Interstate Commerce Commission know that as well as the railroads? That is my theory of it.

Mr. HARDY. What would you do with the tramp in the coastwise trade? You speak now about a rate that is subject to change in 30 days. What would you do with the tramp?

Mr. JACKSON. It would not affect the tramp. I would allow the tramp to take it as cheap as it pleased.

Mr. HARDY. Will not that disturb the line?

Mr. JACKSON. The tramp has to take it cheaper than the line, because it is not a regular service. If you are making a certain shipment to your place in Jacksonville, to feed the people at the hotel, or places like that, you do not want to do it by the tramp. You have to give them a leeway of 30 days on the loading.

Mr. HARDY. I do not know very much about the dealings in such a matter, but it seems to me, if you had a regular line fixed for 30 days on a certain rate, the tramp might play the free lance and dodge in and out.

Mr. JACKSON. That would immediately show that your rate was too high and was not a fair rate.

Mr. HARDY. Still it can not be changed for 30 days.

Mr. JACKSON. That is all right. Neither can the railway rates be changed for 30 days, and it stops business altogether. Take the rates from Chicago to Baltimore. They can not be changed for 30 days, and still you can get a boat to take the freight to Buffalo, and add the water rate and you get it 5 cents cheaper. During that period they do not haul it by rail to Baltimore. They haul it all-lake.

Mr. HARDY. You know the way the railroads killed that?

Mr. JACKSON. I know the way they tried to do it—by buying up all these boats—and the regular coastwise liners will buy up all the tramps. There are very few tramps; I do not think more than three.

Mr. HARDY. The railroads from Buffalo to New York have what they call an ex-lake—very different from their all-rail rate.

Mr. JACKSON. Yes, sir.

Mr. HARDY. And in that way they sort of hold the whip hand on the tramp or any other vessel running from Chicago to Buffalo.

Mr. JACKSON. The ex-lake rate from Buffalo to New York applies to grain brought by the tramp as well as by the regular steamer. You take a tramp boat from Chicago to Buffalo, which may cut the lake rate, when it gets to Buffalo that grain takes the same rate from Buffalo to New York as the grain that came by the regular line.

Mr. HARDY. If the regular line, however, belongs to the railroad it does not make any difference what the rate is on the regular line. It is just taking money out of one pocket and putting it in another, is it not?

Mr. JACKSON. That is all.

Mr. HARDY. While if their rates were large enough from Buffalo to New York they could cut down the tramp to a mere living rate or less?

Mr. JACKSON. You have always to look at that situation—the all-rail rate. The all-rail rate does not haul any grain from Chicago in the summer time. It is cheaper to bring grain via the Lakes, and this would be the situation on the combination of steamships, and water-borne coastwise, that if the rate got too high they would not haul any commerce.

Mr. HARDY. Another objection that some of the ship companies bring to the fixing of rates by the commission is that they frequently have space they have to fill in, and they sometimes go out and buy freight, and if you have a fixed rate for the heavy freight so they can not take it for less they can not sail because the vessel is not full. What would you do with that situation?

Mr. JACKSON. I think that situation arises often in the grain trade. We have paid out money to put grain on board a steamship to go to Europe, but it is so seldom brought into use it is not worth considering.

Mr. HARDY. That exception, then, is so rare as to be negligible?

Mr. JACKSON. Yes. You take the situation on all this coastwise business. They are filled up. And take the situation, as I happen to know personally, of the Rotterdam service in Baltimore. They are filled up six months ahead with all the stuff they can take, on the little tonnage they can take from Baltimore.

Mr. HARDY. You think that a fixed rate would then probably require, on the part of the shippers or steamship lines, a little more forethought and preparation beforehand?

Mr. JACKSON. That is all. The only reason these boats do not have full cargoes is that a certain shipment which they have contracted for, by some negligence of the shipper or railroad company has not arrived at the wharf, and the ship is going to sail on a certain day whether the freight is there or not, to fill its service, and they will go out in the market and fill up that space at any rate they can get.

Mr. HARDY. Would you prohibit that?

Mr. JACKSON. I would prohibit that under certain regulations, but it does not affect the steamship company because they have contracted for that space at the high rate, and will either get it out of the railroad or the shipper for default on the contract. You take a ship going to Jacksonville in February, and if you do not have your goods there you have to pay for them. We pay lots of times dead freight on stuff from Baltimore to Bremen because we can not get the grain there to ship it. We paid the whole freight because it was possible; they could have gone out and filled that space up with stuff at 5 cents a hundred pounds, and filled up their own pockets. But you can not look at the particular situation of rates by the vessel not having stuff to fill up its hold.

Mr. HARDY. You say that is very exceptional?

Mr. JACKSON. It is very exceptional, and it is caused by somebody falling down in his contractual relation with the steamship. That is my personal experience, that whenever I have to pay for these things, it is my own fault.

Mr. HARDY. In other words, when you do fall down you have to pay for it?

Mr. JACKSON. Yes, sir.

Mr. HARDY. Mr. Jackson, did you give your firm name?

Mr. JACKSON. Gill & Fisher is the firm name.

TESTIMONY OF MR. F. A. MEYER, GRAIN EXPORTER, BALTIMORE, MD.

The witness was duly sworn by Mr. Hardy, acting chairman.

Mr. HARDY. Give your name, address, and business connections.

Mr. MEYER. I am also a grain exporter in Baltimore, in practically the same business as Mr. Jackson.

Mr. HARDY. What is the firm name?

Mr. MEYER. The Louis Muller Co.

Mr. HARDY. We would be very glad to hear any statement you have to make, Mr. Meyer, with reference to the matter of this investigation.

Mr. MEYER. I would say, first, that our concern received a letter from your committee inviting us to make any comments on the various propositions which you have set forth here. It struck us at once that we should take exception to the first statement made regarding the steamship companies, that the tonnage and facilities are ample. They are certainly not, in our opinion, ample as far as the port of Baltimore is concerned. I have heard everything that Mr. Jackson has said just now to you, and my experience personally is practically the same as his. There are one or two points that I can enlarge on.

Mr. HARDY. I should be glad if you would just confine yourself to additional matters. You say you indorse Mr. Jackson's statement?

Mr. MEYER. Yes. I have made up a statement of our own business from the 1st of August to date, which is practically seven months, and out of 12 ports to which we have so-called regular lines——

Mr. HARDY. Name them, please.

Mr. MEYER. Rotterdam, Hamburg, Amsterdam, Antwerp, Bremen, Liverpool, Glasgow, Leith, Havre, London, Dublin, Copenhagen, and I have also Dunkirk here to which we have an occasional steamer. My personal experience is that we have an adequate and reasonable service only by the North German Lloyd Line to Bremen. I think they furnish the port of Baltimore about enough space year in and year out to provide for the demand from that port and its contiguous territory. Outside of that the lines we have in Baltimore are at times totally inadequate to serve the demands for export business, and even when business is dull there is very little opportunity of getting freight space enough.

Mr. HARDY. Possibly you have a memorandum there that is in proper form and might be put in the record. What is that memorandum you have [indicating]?

Mr. MEYER. This [indicating] is a statement of grain freights engaged by the Louis Muller Co. from August 1, 1912, to February 20, 1913, showing the quantities in lots of thousand quarters, engaged separately each month, firstly, by regular lines, which shows a total of 412,500 quarters. Following that is a statement of tramp tonnage engaged in the same period to the same ports, eliminating Bremen, which is spoken of as being the only port to which we have an adequate service, and to which there is no reason to engage tramp tonnage. Eliminating that port the amount of space that we were able to obtain by the regular lines is about 18 per cent of the total business. There are some ports from which we have been practically frozen out completely—some of the largest ports in Europe.

I wish to call particular attention to the port of Antwerp. Antwerp is one of the busiest ports in Europe. In August we got 3,000 quarters and in February 2,000 quarters of freight room by the Antwerp line we have from Baltimore.

Mr. HARDY. Please explain what you mean by "quarter"?

Mr. MEYER. 480 pounds, or about 8 bushels to the quarter. It is what they call in other markets a load of grain. Is that familiar to you?

Mr. HARDY. Yes; I just wished that term explained.

Mr. MEYER. The agreement by tramp steamers is always called a quarter. It is an English term. Four hundred and eighty pounds of grain and 380 pounds of oats. The freight transactions in dealing with the steamship lines are always based on the unit of a thousand quarters.

Mr. HARDY. A thousand quarters is equivalent to how many bushels?

Mr. MEYER. About 8,000 bushels of wheat or corn, and 10,000 bushels of oats. If you will permit me, I will give the figures in bushels.

Mr. HARDY. Yes.

Mr. MEYER. I was going to say that to the port of Antwerp we have been able to get in seven months freight for 40,000 bushels of grain—5,000 quarters. During the same period we chartered tramp tonnage for about 1,400,000.

Mr. HARDY. To Antwerp?

Mr. MEYER. Yes.

Mr. HARDY. You said you were frozen out of the business. Do you mean to say that the failure to get a regular line so seriously injures your business that it is very detrimental to it?

Mr. MEYER. It is very detrimental. If you will allow me, I will go into that a little further. When there is a very active demand freights naturally advance to some extent, and when freights get up to a certain point and the demand is sufficiently large, we are usually able to charter tramp steamers. There is always a greater risk to the exporter in chartering a tramp steamer, because he not only has to pay a rate that is somewhat higher than usual, but he has to be able to sell enough goods to fill the steamer.

You can get freight by regular line for 8,000 bushels, or 16,000, or 80,000 bushels—whatever your demand at the moment may require. If you want to charter a steamer, it is very hard to get one that will carry less than 200,000, or perhaps 250,000 bushels, in the present size of steamers. When the business is very active and there is a large demand we can, with reasonableness, charter tramp steamers. When the business is small and the demand will take only a moderate quantity of goods from day to day, or from week to week, naturally the business could be supplied by the regular steamship lines. And when we have no steamship line we are simply frozen out of the market. That is the basis of my remark.

Mr. HARDY. That is a detailed statement of your transactions for the past six or seven months that you have before you, is it?

Mr. MEYER. Yes; I will be very glad to let you have it.

Mr. HARDY. I will have the stenographer identify it.

Mr. MEYER. I will make a note or two to it, to make it plainer. I will put it in bushels if you would like it.

Mr. HARDY. No; I think with your explanation of what "quarter" means, it is sufficient.

(The papers referred to were marked "Exhibits Meyer, Nos. 122 and 123, and are as follows:)

EXHIBIT, MEYER NO. 122.

Grain freights engaged by Louis Muller Co., Baltimore, from Aug. 1, 1912, to Feb. 20, 1913.

[Quantities in lots of thousand quarters.]

BY REGULAR LINES.

	Rotter- dam.	Hamb- burg.	Amster- dam.	Antwerp.	Bremen.	Liver- pool.	Glasgow.
1912.							
August.....	72	26		3	127	4	
September.....	8	5			36		8
October.....					24	7½	
November.....					3		
December.....	5	9	8				
1913.							
January.....	7				25		
February.....		8		2			
Total.....	92	48	8	5	215	11½	8

	Leith.	Havre.	London.	Dublin.	Copen- hagen.	Dunkirk.	Total.
1912.							
September.....	3						
October.....	19	3					
1913.							
January.....			3	2			
Total.....	22	3	3	2			412½ 1 215 197½

TRAMP STEAMERS.

	Leith.	Havre.	London.	Dublin.	Copen- hagen.	Dunkirk.	Total.
1912.							
August.....				40			
September.....	131			87			
October.....	129			69			
December.....	92	25					
1913.							
January.....	91	25					
February.....	57						
Total.....	500	50		196			
	Leith.	Havre.	London.	Dublin.	Copen- hagen.	Dunkirk.	Total.
1912.							
October.....						44	
November.....					29		
1913.							
January.....					81		
Total.....					110	44	900

¹ Bremen.

EXHIBIT No 128.

Mr. Meyer's statement as to the amount of grain shipped by regular lines and tramp steamers from Aug. 1, 1912, to Feb. 20, 1913.

	Regular line.	Tramp steamer.
Rotterdam.....	52,000	434,000
Hamburg.....	127,000	
Bremen.....	129,500	
Dublin-Belfast.....	13,000	46,000
Havre and French.....	5,000	45,000
Leith.....	65,500	
Antwerp.....	12,000	77,000
London.....	10,500	177,000
Liverpool.....	6,500	
Glasgow.....	8,000	24,000
Danish.....	10,000	107,000
	¹ 439,000	910,000
	² 3,530,000	
Italy.....		31,000
Sharpness.....		25,000
Sunderland.....		12,000
Portugal.....		25,000
Ipswich.....		20,000
3 Danish.....		112,000
Hull.....		85,000
Avonmouth.....		73,000
Amsterdam.....		64,000
		1,387,000
		12,000,000

¹ Quarters.

² Bushels.

Mr. MEYER. The same thing that I spoke of about Antwerp applies to Liverpool. You all know that Liverpool is one of the largest ports in the world. We have practically no Liverpool service now. It amounts to very little. During seven months we were able to get freight for about 90,000 bushels of grain.

Mr. HARDY. Can you give any accounting as to why it is you have been frozen out of these two big ports?

Mr. MEYER. We had some years ago a fairly good Antwerp service in Baltimore. Now the business seems to be concentrated in New York, Philadelphia, and Boston. The same thing applies to business running from the United States to ports in the United Kingdom, to Liverpool, London, and Glasgow, especially. That trade is almost all carried from Boston and New York, and our service is a very small one.

Mr. HARDY. So that Baltimore, as an export port, is suffering a slow death by reason of the want of facilities of doing business?

Mr. MEYER. Yes; in certain directions, especially in these ports. We are suffering in this way—that in ordinary and moderate years of business we have to sit still and either just eke out a living or lose money by actual lack of communication between our port and some of the large ports of Europe, such as I have named—Antwerp, Liverpool, and Glasgow. It may happen that for three months we can get no grain space from Baltimore to Liverpool. It has happened frequently. In an active season, when there is a large demand, we can do enough business in other directions to make up for this loss for the time being.

Mr. HARDY. Where does this grain come from that you export?

Mr. MEYER. It comes from a great many different directions. A vast quantity of it comes through Chicago. That applies to corn and partly to oats. We get a great deal of wheat from Chicago. We get wheat from Duluth or from Kansas. We are also getting some through shipments of Canadian grain through Baltimore. Then again we have quite a district around Baltimore that supplies an appreciable quantity of local crops, both of corn and wheat. It is an indication of what we are suffering from that, while we are in one of the richest winter wheat territories, in Baltimore, the price of winter wheat in Baltimore is very often, and at the present time, lower than at any other market in the United States. One reason is that we have so few distributing facilities there.

Mr. HARDY. In other words, if your winter wheat could be exported as favorably from Baltimore as from New York it ought to be a little higher—

Mr. MEYER. Yes; I do not mean to say that applies just at the present moment, but there are periods of time when it does apply.

Mr. HARDY. If you were permitted without interference from these established lines, would it be profitable for Baltimore to establish her own regular lines of communication with these European ports?

Mr. MEYER. Yes; I think it would; but it is appalling to think what you might run up against in the present conditions of local traffic.

Mr. HARDY. I understand that with the conditions as they are now you can not undertake it, but if you were left free to establish your own communication could you do it and get better and cheaper accommodations than you have now?

Mr. MEYER. Yes; we would get accommodations regularly and in larger volume than we can get them now. We are very much restricted in the volume of business we can do.

Mr. HARDY. In other words, your port is sufficiently large and your exports sufficiently great to enable you to establish better communications if you were not interfered with?

Mr. MEYER. Yes. It was only a few years ago that in one active season our Rotterdam line, to which Mr. Jackson referred a few minutes ago, had either 104 or 108 steamers during the year. I think that with the present service they are giving they do well if they have an average of three a month.

Mr. HARDY. The regular lines?

Mr. MEYER. Yes. Now, the business that comes to Baltimore—I will take that Rotterdam line as a type—is allotted by the man in New York who decides how much stuff shall come to Baltimore eastbound or westbound. And the business there is limited according to his ideas of what is the best policy and best-paying proposition for his line.

Mr. HARDY. Does there seem to you to be an effort on the part of the combination to direct the shipping to certain ports for export and say which port shall be the export port?

Mr. MEYER. To this extent: It is natural to suppose that if they map out a certain number of steamers to come to a certain port they will not send more goods there than those steamers can carry.

Mr. HARDY. Then the effect of that disposition is that it directs all the export business to these favored ports?

Mr. MEYER. Undoubtedly; and in that one particular instance the tendency is to cut down a little the amount of stuff going through

Baltimore. In this very instance I mentioned to you of the number of steamers, it is apparent to anyone that there is a great deal less cargo going through the port of Baltimore now than there was a few years ago, and as far as business conditions go I see no reason why the business now should not be as large or larger than it was before.

Mr. HARDY. In other words, it is artificially driven to other ports and away from yours?

Mr. MEYER. Undoubtedly.

Mr. HARDY. Have you stated substantially all the facts that you want placed before this committee in connection with this investigation? Is there any other matter of fact you would like to give us the benefit of?

Mr. MEYER. There is one point that struck me that was not brought out in answer to one of your questions to Mr. Jackson, and that was in regard to steamers coming from Europe and stopping at, say, Boston, Newport News, and Baltimore. I gathered from your remarks that you understood such a voyage to be of such a nature that the steamer would discharge its cargo at Boston, the first port, and then come light to the other ports.

Mr. HARDY. That is what I understood.

Mr. MEYER. I think Mr. Jackson misunderstood you. That is not the actual fact in most cases. A steamer will come with, say, 50,000 cubic feet of cargo to Boston and 50,000 cubic feet of cargo to Baltimore. They will discharge the 50,000 cubic feet destined for Boston and load a lot of goods for Europe. Then they come to Baltimore and discharge the Baltimore portion of the cargo and load also here, just as they do in Newport News. It gets to be a Chinese puzzle sometimes for the agent at the second or third port to rearrange that cargo, because he has stuff that has already been loaded in the United States to Europe, so it very often happens that the cargo that is loaded in Boston to come via Baltimore to Europe has to be shifted here in order to load the vessel properly.

Now, it seems to be a queer condition when the steamship lines as a rule try to base their rates on a question of distance that they should load goods at Boston and come via Baltimore or Newport News and take them to Europe at the same rate as they do from Baltimore direct. It seems an unfair proposition. You can see that the space that is available at the last port, which Baltimore usually is, is entirely dependent on the amount of cargo that goes out from the previous ports.

Mr. HARDY. At any rate it gives them the first call on the space?

Mr. MEYER. Undoubtedly.

Mr. HARDY. And you take what is left?

Mr. MEYER. Yes.

Mr. HARDY. But so far as charging the same rate in that case is concerned, it seems to me that if the bulk of their transactions were with Boston and they were coming by way of Baltimore for the accommodation of Baltimore, while their direct route would have been nearer from Boston, they would hardly add anything to their Boston rates. In that case they come by way of Baltimore, but they really come out of their way to do it, as it were, with reference to their route from Boston to Liverpool.

Mr. MEYER. The fact is, however, that in former years we had direct routes on many of these boats which now make these devious voyages.

Mr. HARDY. That seems to me to be the gist of the whole question, whether the establishment of this combination has resulted in destroying your direct communication, and whether but for that combination you could establish direct communication cheaper and better than you have now.

Mr. MEYER. The fact is, as I say, we had direct communication years ago with several ports where now they make these queer voyages, stopping at two or three ports, and usually making us the last or second last port.

Mr. HARDY. Mr. Meyer, give us briefly your view as to remedies and legal propositions.

Mr. MEYER. I am afraid I would be wasting your time without being able to tell you very much, because I have not a legal mind.

Mr. HARDY. We do not want a legal form, but the substance of the remedy.

Mr. MEYER. Here is the situation that appeals to me in one case. We have one line that is merely a nominal one. It has been running for a good many years, and in every other Atlantic port the business to the point to which that line goes has materially increased, while ours has simply gone to sleep, and is dragging along. The natural supposition is that if any attempt were made to enliven our line, the International Mercantile Marine would simply put its foot down and stop it.

Mr. HARDY. What line is that?

Mr. MEYER. Liverpool.

Mr. HARDY. The Baltimore & Liverpool Line?

Mr. MEYER. Yes.

Mr. HARDY. Is that a direct line from Baltimore to Liverpool?

Mr. MEYER. Yes.

Mr. HARDY. You say that has gradually gone to sleep?

Mr. MEYER. Yes; we have the same steamers on that line now that we had 20 or 25 years ago and with less frequent sailings, and it is a notorious fact that people are constantly asking for space by that line and can not get it.

Mr. HARDY. What reason do they give for their less frequent sailings?

Mr. MEYER. We are usually referred to William Johnson, in Liverpool, and as he does not come over here more than once in three years it is very hard to find out anything.

Mr. HARDY. You say they have the same vessels on the line?

Mr. MEYER. Yes; we have the same vessels there that have been there 20 years.

Mr. HARDY. What did they do with those vessels which now no longer sail?

Mr. MEYER. One of them ran on the rocks near Liverpool the other day, and I suppose they will have to put another one in her place eventually. We have been told lately that on account of the better freight situation in the last year or two they contemplate building a few new steamers.

Mr. HARDY. Is it your conclusion that this Baltimore & Liverpool Line is paid to lay up, or where do they get the profit out of having idle vessels?

Mr. MEYER. The vessels are not idle. I just told you that as a rule room could not be obtained when it is wanted because there is not sufficient space there to handle the business. I think Baltimore could easily support a large steamer once a week on an average.

Mr. HARDY. I thought you said they did make frequent sailings 20 years ago—

Mr. MEYER. They did.

Mr. HARDY. And now they do not make those frequent sailings?

Mr. MEYER. Yes.

Mr. HARDY. How do those same vessels occupy their time now?

Mr. MEYER. I think probably some of them are too old to be of use and some have probably been broken up.

Mr. HARDY. They have not the same vessels now?

Mr. MEYER. Probably not, or else they have been put on some other trade.

Mr. HARDY. Instead of having the same vessels, they have let these vessels die out—

Mr. MEYER. I mean the vessels now running were in the trade 20 years ago.

Mr. HARDY. You have just the old vessels?

Mr. MEYER. Yes; they have not improved a bit.

Mr. HARDY. Not the same number?

Mr. MEYER. Not the same number, no. That is what I complain of. It seems to me that if a legal control could be put over steamship companies—

Mr. HARDY. Before you come to that, you said just now you had an intimation that led you to believe that if you tried to revive that route some other company would put their foot on it—

Mr. MEYER. Yes.

Mr. HARDY. The International Mercantile Marine. What is the International Mercantile Marine?

Mr. MEYER. It is the line that conducts practically all the Liverpool business from New York.

Mr. HARDY. Why do you think they would come in and throttle the Baltimore and Liverpool Line if it were attempted to be revived?

Mr. MEYER. Well, because they do not like to see so much cargo going by way of Baltimore. They would prefer to get it by way of New York and the other ports.

Mr. HARDY. So this line has allowed itself to die because they were afraid of competition; is that it?

Mr. MEYER. No; I think they were simply suffered to do a small business, when, if they attempted to reach out, they would lose what they had, possibly.

Mr. HARDY. They are in, then, on sufferance?

Mr. MEYER. I really believe that.

Mr. HARDY. Is that it, or are they in the combination?

Mr. MEYER. From all I can learn, it is my personal belief they are in there on sufferance.

Mr. HARDY. Now, go ahead with your suggestion of what you think ought to be done.

Mr. MEYER. My only idea about the control of the matter is that our foreign steamship companies should be required to establish themselves in this country in such a way that they could be gotten under legal control. I think one thing that should be required is a complete publishing of their tariff agreements, to avoid the combinations that are evidently causing the trouble we are complaining of. In my opinion, if the foreign lines were to make tariff agreements that are inherently unjust and unfair to the shipping public, it would very soon react on them and the only way to get at it is by forcing them to be public in their arrangements, if such a thing is possible. The natural result of it would be something like the condition that exists now between the railroads and the Interstate Commerce Commission.

Mr. HARDY. And that applies, in your judgment, or could be made to apply to the foreign trade?

Mr. MEYER. I would like to see it done.

Mr. HARDY. You could not make it apply to tramp ships, could you?

Mr. MEYER. I should think not.

Mr. HARDY. What would be the effect of a tramp ship on the situation under that kind of regulation?

Mr. MEYER. I was speaking of regulation by the Interstate Commerce Commission, or something of that kind. I do not mean to say that the rates for ocean traffic should be published; I do not mean that at all, because I think that is impossible. I think the question of ocean rates must be open to the supply and demand from day to day; I do not think it can be governed for general commodities. It may be in certain lines of goods.

Mr. HARDY. Well, what would you have in your regulations except publicity?

Mr. MEYER. The question of arrangement of tonnage between different ports would probably be governed in that way.

Mr. HARDY. You would make them publish from time to time the tonnage space allowed to different cities?

Mr. MEYER. I think so; yes.

Mr. HARDY. That still is only a matter of publicity.

Mr. MEYER. Yes.

Mr. HARDY. Would you have that regulated by the commission?

Mr. MEYER. I think it is very easily shown—in fact, from my personal observations there is an understanding or agreement between the different lines as to rates on package goods and class goods.

Mr. HARDY. Is it your understanding that those rates are arranged by conference between the railroads and the boat line?

Mr. MEYER. I do not know whether the railroads get in it; I am confident that the boat lines do.

Mr. HARDY. All of the boat lines in this conference agree on rates?

Mr. MEYER. I am quite sure of it, without having any definite proof. I have heard it stated by steamship men themselves.

Mr. HARDY. Let me see if I can get at the scope of your remedy. You want publicity of what?

Mr. MEYER. I think the traffic agreements between the different lines. Then I think there should be an equal opportunity for any competing proposition to come into the market if it wanted to or were able to financially.

Mr. HARDY. Just what kind of regulation would you provide to give an equal opportunity to competing lines?

Mr. MEYER. There the question of railroads probably comes in. To go back to the question of understandings between the different steamship lines, there is undoubtedly a gentlemen's agreement that as there is a line already in existence to Rotterdam, nobody else shall come into Baltimore and attempt to do business to Rotterdam. The Rotterdam line has a special field allotted to it by the railroad companies, and if anybody else came in there and tried to establish a Rotterdam line he would have a hard time getting dock space, and the relations between the railroad companies and the steamship line are so close that it would probably be a killer to any competing proposition from the beginning until they established themselves by sticking to the proposition and getting an entering wedge in some way.

Mr. HARDY. So you would include in this supervision a requirement that railroads should give equal accommodations to all shippers? Is that it?

Mr. MEYER. I think that is a reasonable proposition, from the point of view that the railroad, being a common carrier, should be open to public business generally.

Mr. HARDY. Do you think that these steamship lines should be required to file their contracts, if any, made with individual shippers?

Mr. MEYER. I certainly see no objection to it.

Mr. HARDY. Do you mean that should be simply filed or that it should be published in any publication?

Mr. MEYER. I must say I really do not see the object of that, because I believe there is no favoritism or rebate system in the ocean freight business, so far as it relates to any business with which I am concerned.

Mr. HARDY. That is in the eastbound ocean freight. But there is a suspicion of some pooling and rebates of shipments in the United States.

Mr. MEYER. I am not competent to speak of that.

Mr. HARDY. What is the difference between the rates and the tariff?

Mr. MEYER. I understand the tariff to be a list of rates that are supposed to be good for a certain time until changed. Is that what you mean? I do not know that I understood the drift of your question.

Mr. HARDY. A moment ago you said that you would not have the commission fix the rates. There has been in some of the testimony a difference made between rates and the tariffs of the company. Mr. Schwerin testified that they had fixed tariffs, or they had a published tariff, but that was not their rates.

Mr. MEYER. What line was that?

Mr. HARDY. That is a Pacific line, the Pacific Mail. He said they had that publication; and if nothing interfered, they were the rates they charged; but if they saw proper, they went under the tariff or over it, as the case might be. And that has been said with reference to other lines—on the North Atlantic, for instance—that they have a tariff sheet in which they publish all their rates, but those rates are varied from time to time and really do not constitute the actual rates at all.

Mr. MEYER. I am quite well aware of the fact, for instance, that in Baltimore the agent there gets the rates from his boss in New York,

and he has to be governed by him, and they are generally only changed upward when they see an opportunity of putting them up.

Mr. HARDY. That is the tariff sheet, and they change the rates whenever it suits their convenience or their interests counsel.

Mr. MEYER. That applies mostly to all kinds of general commodities.

Mr. HARDY. You spoke in your testimony of the fighting-ship proposition. Would you by law forbid these powerful combinations from utilizing fighting ships to cut down or kill competition?

Mr. MEYER. I think it would be a reasonable thing to do, if it could be done.

Mr. HARDY. In what way would you undertake to prevent the use of fighting ships by the powerful combinations to put down the little fellows? Would you penalize it?

Mr. MEYER. I think so. The object of the fighting ship is to destroy the trade of the other person, irrespective of profit or anything else.

Mr. HARDY. What kind of a provision would you suggest in order to prevent the use of fighting ships?

Mr. MEYER. If the competing line were offered equal facilities with the regular line, I do not think a fighting ship could have very much of a chance.

Mr. HARDY. You understand a fighting ship may be employed by half a dozen different lines, all with their arrangements harmonious between them, and if a loss comes in they all share the loss.

Mr. MEYER. Yes.

Mr. HARDY. Would it or not be a wise provision to make penal, and heavily penal, any division of loss between combination companies for the support of a ship to kill competition?

Mr. MEYER. It appears reasonable to me; yes.

Mr. HARDY. Are there any other suggestions you might have to make?

Mr. MEYER. I do not think so.

Mr. HARDY. We are here investigating this question to find some remedy for evils that may exist, and therefore we want to hear the shippers' side and get their views. We have been hearing very fully the steamship companies' side. If there is anything you can give the committee which you think it ought to have, we will be very glad to have you do it.

Mr. MEYER. Nothing else occurs to me at this moment.

Mr. POST. I understood you to say a while ago that an independent line from Baltimore to Liverpool could not get dock facilities. Why is that?

Mr. MEYER. Not under present conditions.

Mr. POST. What are those conditions?

Mr. MEYER. We have at present two large railroad systems running to Baltimore, and the one controls practically all the available dock space on one side of the river, and the other one on the other side.

Mr. POST. Is that the Baltimore and the Pennsylvania?

Mr. MEYER. The Baltimore & Ohio and the Pennsylvania. Each steamship line has practically its own pier arrangement with the railroad, and the dock space there is practically free. It is a very expensive proposition for any outsider to come in there and try to

run a steamship line, if you had no pier arrangements, because between the periods of sailing the goods that accumulate from the interior are put on the pier and accumulated for the ship when you are ready to load. A great item of handling steamship lines is to turn about quickly, after unloading, and reload; and where they have a large pier available they can accumulate the cargo for reloading.

Mr. Post. Does the city own any of the docks?

Mr. MEYER. Not steamship docks that apply to the large ocean lines. The city of Baltimore has built a large number of docks since the fire in 1904, but the only ocean-going steamship companies allowed there, as far as I know, are the fruit companies trading to the West Indies, and some coastwise steamers.

Mr. Post. The trouble with reference to the dock facilities could be easily overcome if the city would acquire those railroad docks?

Mr. MEYER. Yes. The docks that are owned by the city have no railroad facilities. You see, the railroads control all the deep-water docks, where the ship could load and unload; and no ocean-going steamship line could go to any other docks, because you could not unload the goods, because there is no railroad there.

Mr. Post. Do you not think the Interstate Commerce Commission has power to compel the railroads to put in tracks to these docks?

Mr. MEYER. I doubt it.

Mr. HARDY. We are very much obliged to you.

Mr. Daniel H. Hayne, who was here yesterday and did not have an opportunity to appear before the committee, filed a statement explanatory of certain trustee arrangements of the Merchants & Miners Transportation Co. with the New Haven & Hartford Railroad Co., and we will have it inserted in the record at this point.

(The paper above referred to was marked Exhibit No. 124.)

STATEMENT FURNISHED TO THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES BY DANIEL H. HAYNE, GENERAL SOLICITOR OF THE MERCHANTS & MINERS TRANSPORTATION CO., FEBRUARY 21, 1913.

I am the general solicitor of the Merchants & Miners Transportation Co. I have been identified with this company since 1891, and since 1894 have held my present position.

I had active participation in the preparation of the agreement under which 75 per cent of the common stock of this company was put in trust for a period of 25 years, which agreement was presented to your committee by Mr. Buckland at your last hearing, and I am informed all of this data has also been supplied to your committee by the Merchants & Miners Transportation Co. in answer to your promulgated questions. Without some explanation of the motives which induced that agreement, its purposes and intentions may not be quite clear. I will state first the reasons which gave rise to the sale of 50 per cent of the stock of this company to the New England Navigation Co.

During the years 1905 and 1906 the Merchants & Miners Transportation Co., as was general among water lines, was feeling the pressure of the various laws being enacted, which were adding unusual expense and affecting its revenue. This company, as were all other water-line companies, was commencing to feel the burden of governmental regulation, which was also being provided for railroads, and it, as with all other water lines, was struggling under an already heavy load of marine statutes, which, it has been stated on competent authority, numbered over 400. They related chiefly to the governmental regulation and inspection laws relating to the high seas. Various new marine statutes were in contemplation relating to various safety devices. The revenues were gradually sinking, while operating expenses were constantly increasing. The margin of safe capital in the operation of such lines was being extinguished.

It is well known that a water line must earn sufficient to lay up a reasonable surplus for the great unexpected events encountered in the risks of the sea. I have been advised by very competent authority that many old established

water lines were curtailing their protection formerly secured in their insurance, and some, I am informed, have been required to abandon the burden of insurance premiums altogether and assume these extraordinary risks.

Vessel property, to be safe and efficient, requires very great attention, and with this forecast before it the Merchants & Miners Transportation Co. was of necessity driven to look for aid. This condition was not confined to this company, but was the general difficulty which was overtaking all established transportation companies, and, notwithstanding their good will and their knowledge of the business, they found that the inducements to capital to enter upon the risks attending the merchant marine were too heavy to expect private capital to embark therein. In this dilemma the Merchants & Miners Transportation Co., which had remained one of the few independent steamship lines on the coast, found that it was necessary to secure strong interests to weather the storm.

Appeal was made to the various railroad connections of this company to take some interest in the minority stock of the company. This request was refused. Mr. Morse at that time was quite active in endeavoring to establish a consolidation of the coastwise lines. This company did not look with favor upon such a combination. Private capital was reluctant to take any further risk, and the proposition was placed before the New York, New Haven & Hartford Railroad Co. That company offered to purchase 50 per cent of the stock of this company.

The stockholders of the Merchant & Miners Transportation Co. at this time were composed of various small holdings, the larger holdings being held by a few families that had been identified with the interests and management of the company. Very large holdings had, by reason of the death of former holders, gone into trust and were held in trust by the Safe Deposit & Trust Co., of Baltimore. The Merchants & Miners Transportation Co. was also owned by local interests, which took a great pride in retaining the company's management in the State of Maryland, and it was felt that in order to protect the trust estates, in order that they might not drift into a minority interest, it was necessary to retain the control of the company in the hands of the then present owners.

This gave rise to the trust agreement wherein the common stock, which secured the control of the company, was placed in trust for 25 years, giving the then present owners of the Merchants & Miners Transportation Co. the majority on the board of directors and naming the Safe Deposit & Trust Co. as the agent to select the controlling interests. This protected the trust estates which were being conducted by the same trustee that is named in the trust agreement. It preserved the management of the company in the same hands that had always managed it, with its personnel and executive officers, and it was felt that the company was safer and more independent in this way than if the stock was free on the market to be purchased by whomsoever desired to purchase it. This arrangement has preserved to the former owners of the Merchants & Miners Transportation Co. an absolute independence free of any dictation of the New York, New Haven & Hartford Railroad Co. or the New England Navigation Co., through which the said railroad company owns the said stock of the Merchants & Miners Transportation Co. This company is as free and independent in its management as though the New York, New Haven & Hartford Railroad Co. did not own a dollar of its stock, and it has always exercised that independence.

With this explanation the following clauses in the trust agreement may now be better understood:

"The trustee shall hold all shares transferred or deposited hereunder as a unit or whole in trust for the purposes and with the powers set forth herein until the expiration of 25 years from the date hereof.

"Seventy-five per cent, in interest of said trust certificate holders, may by notice or declaration in writing terminate said trust on any earlier date.

"The navigation company shall have the right to nominate two persons to be elected as directors and the said other stockholders, parties of the second part hereto, or a majority in interest thereof, shall have the right to nominate two; the four shall select the remaining or fifth person to be elected and give the trustee notice of such selection not later than the day preceding the election day. In case such fifth nominee shall not be chosen, or in case notice of such nomination shall not be given to said trust company, as above provided, then the Safe Deposit & Trust Co., trustee hereunder, shall in its discretion nominate such fifth person to be so elected."

7 The increase in the directorate to nine is governed by the same principle.

"The trustee in exercising its right of making nominations for directors or in exercising the right to vote for any other purpose shall do so with a view to maintaining the Merchants & Miners' Transportation Co. as an independent corporation and not under the control or domination of any common carrier, and with a view further to promoting the common interest of all stockholders of said Merchants & Miners' Transportation Co. and not with a view to promoting any adverse separate interest of any one or more of said stockholders."

If the query be put as to why the New York, New Haven & Hartford Railroad Co. purchased 50 per cent of this stock, the answer is, that while it may have had an interest at stake in meeting the activities of Mr. Morse, who desired to secure this line as one of his strategic means to establish the aforesaid combination of coastwise interests, it must be apparent that the securing and placing of the Merchants & Miners' Transportation Co. in an independent position for 25 years did, in fact, succeed in preventing such a combination of coastwise interests, and left the various coastwise transportation companies free under their existing managements. Had not the Merchants & Miners' Transportation Co. taken this position, and had not the New York, New Haven & Hartford Railroad Co. aided in this constructive policy, there would undoubtedly have been few companies outside of the consolidations which Mr. Morse was endeavoring to effect. The sum of the results has developed a more open and free competition under the arrangements which were thus effected and shown in the trust agreement.

I desire to state that while the New England Navigation Co. was the instrument through which the New York, New Haven & Hartford Railroad Co. purchased the 50 per cent of common-stock interest in this company, it has purchased 317 additional shares of the trust certificates, representing the former free stock. There can be no control by the New York, New Haven & Hartford interests, unless they secure 75 per cent of the entire trust stock deposited. At present the said New York, New Haven & Hartford interests, through the New England Navigation Co., control only 24,000 shares of the total of 47,366 shares of trust stock. That interest would require 35,525 shares of the trust certificates, in order to break the trust. A small amount of free shares are held by the New York, New Haven & Hartford Railroad Co., and an equal number of shares of free stock are held by some of the former Merchants & Miners' Transportation Co. interests, but these have no voting rights in the trust agreement.

Is it not, therefore, a fair conclusion to say that the action of the New York, New Haven & Hartford Railroad Co., in lending its aid and assistance to this company, aided to keep competition free and unobstructed against the effort being made to consolidate the coastwise interests?

May I also venture to state to your committee that with the experience of the Merchants & Miners' Transportation Co., an old established line with a good will, as good as any transportation company in this country, it found it necessary to seek the aid of the New York, New Haven & Hartford Railroad Co. when private or other corporate capital refused to come to its assistance. That if it is again required to go into the market for new capital by any governmental act which eliminates the interest of the New York, New Haven & Hartford Railroad Co. in this property, the tendency is to injure the public more than it will do it good. I am not contending for any principle that railroad companies should own interests in water lines, but I am contending, in this instance, that the way in which this interest was taken it preserved the independence of this line and preserved to the public valuable rights which otherwise were being gradually eliminated by the tendency toward combinations.

As indicated in present decisions determining the legality of combinations and their beneficial or harmful effects as against public interests, ought not the rule of reason, as announced by the Supreme Court of the United States, be applied to the special facts of this case?

TESTIMONY OF MR. JULIUS C. SCHWARZ, MANAGER OF THE LONDON & SAVANNAH NAVAL STORES COMPANY, SAVANNAH, GA.

(The witness was duly sworn by the acting chairman.)

Mr. HARDY. Mr. Schwarz, we would like you first to give a general statement, as clear as you can make, of matters of grievance you believe ought to be investigated.

Mr. SCHWARZ. It is a matter of determining as to legislation regarding rebates of coastwise lines to one shipper as against another.

Mr. HARDY. That is what we want you to give the committee, any facts connected with that practice.

Mr. SCHWARZ. They have admitted it. It took them until about the middle of January to admit it though.

Mr. HARDY. They have admitted what?

Mr. SCHWARZ. They have admitted rebates.

Mr. HARDY. Tell just what they did, because "admitted it," you know, does not have a handle to it. We want to get a clear statement.

Mr. SCHWARZ. The Ocean Steamship Co. were giving to the American Naval Stores Co. a preferential rate of 2 cents a hundred pounds on all goods shipped over their line to Savannah from New York and Boston. We felt that this had been going on for years, but we never were in a position to prove it. We finally got the proof of it, after their denying that it existed. They then offered us a similar contract, in the month of December, but it was an impossible contract for us to fill. I understand that Mr. Raymond has testified that this arrangement was finished about the middle of 1912. Our entire correspondence and the facts do not show that. In fact, it was not discontinued until February 1, 1913.

Mr. HARDY. What was the arrangement that you speak of?

Mr. SCHWARZ. The arrangement with the Ocean Steamship Line was that the American Naval Stores Co. was to give them 225,000 barrels of rosin, spirits of turpentine, rosin size, and rosin oil—a minimum of that quantity, and that they were to give it a special rate of 2 cents a hundred pounds, which practically excluded everyone else from shipping over that line.

Mr. HARDY. They gave it to the American Naval Stores Co. under a contract by which they were to furnish them a certain large amount of rosin and other material?

Mr. SCHWARZ. I will not say it was a contract. It was a verbal agreement. They refused to make a written contract with us, but it would be a verbal contract if it was entered into.

Mr. HARDY. If they would supply those amounts of shipment, they would give them 2 cents a hundred less freight rate than they gave to any other shippers?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. The result of which was that nobody else could compete?

Mr. SCHWARZ. We were absolutely driven out. In fact, we never entered into it. We have only been in the business for 10 years, and we have never done that business except under abnormal conditions when there was a opportunity for speculative profits on goods. Then we could ship.

Mr. HARDY. You say they denied giving discriminating rates for a long time?

Mr. SCHWARZ. Yes, sir. They denied it as late as November 14. They wrote with reference to this on November 11:

No preferential treatment is accorded any shipper of naval stores over the Ocean Steamship Co. to New York or to any other point.

It is signed by their freight traffic manager, Mr. Richardson.

Mr. Post. Have you any other correspondence with you?

Mr. SCHWARZ. Stacks of it; yes, sir. We have the other correspondence where they were willing to make a contract with us, but never named us a rate. In other words, they gave it to us verbally, but they never gave it in the shape of a contract. We would not enter into a contract because we thought it was illegal, and I still think it is illegal.

Mr. HARDY. Would these shipments have been rail-and-water or would they be port-to-port rates?

Mr. SCHWARZ. All water.

Mr. HARDY. Was it your idea that it would be illegal because you thought it was illegal for a vessel to give preferential rates to one man over another in port-to-port shipments?

Mr. SCHWARZ. As an American common carrier I did think so. I still think so. We have one opinion here on it, if you would care to look over the last paragraph of it.

Mr. HARDY. Just state what the letter is.

Mr. SCHWARZ. It is a letter from the attorneys of the Savannah Board of Trade, Hitch & Denmark, giving an opinion. It says:

The mere inequality of charges does not, therefore, in itself amount to unjust discrimination. It only becomes such when the discrimination is made in the rates charged for transportation of goods of the same class of different shippers under like circumstances and conditions. So a mere reduction of the established rate is not necessarily an unjust discrimination, but it becomes such when it is either given or has a natural tendency to injure another shipper in his business and destroy his business by giving a favored shipper a practical monopoly of the business.

A discrimination, however, made merely upon the amount of the business furnished and which results in the giving to a large shipper an advantage over the smaller is not reasonable.

The facts set forth in the letter which you inclose would seem to bring the present situation in the prohibition announced in the last two paragraphs of the foregoing quotation. The question is usually one of fact, depending upon the circumstances of the case in hand.

That was a quotation from the standard work of Hutchinson on Carriers, page 521-570.

We maintain these coastwise lines are common carriers, and they have a public duty to perform, and the difference in rates of 2 cents a hundred pounds, as you perhaps will realize, is to all practical purposes a difference of 1 per cent of the value of the goods we ship. It is a very low-priced commodity.

Mr. HARDY. The proposition as to whether it is illegal or not is a grave question.

Mr. SCHWARZ. That is a grave question, of course. I understand that thoroughly.

Mr. HARDY. We are inclined to think that under the present law a shipper purely from port to port does not come under the jurisdiction of the Interstate Commerce Commission.

Mr. SCHWARZ. I grant you that.

Mr. HARDY. You think under the common law it is a discrimination that might be gotten at without any statutory provision. Is that the idea?

Mr. SCHWARZ. I think it is possible; yes. I am not much of a lawyer, but I think there is a law which says that if a conspiracy of any two should result in an injury to another man, he has a cause for action.

Mr. HARDY. You are aware that the common law is very frequently enforced up to the hilt by the equity courts, and is as efficient as almost any statutes we have passed?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. At the same time it has been found expedient to pass statutory enactments. If it is a mere common-law provision, there is no legal fixed penalty for its violation, and you would be left to the court to find your damages, would you not?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. In other words, you might, under the common law, have the right to sue these carriers for damages?

Mr. SCHWARZ. There is another very important matter in connection with this. It is regarding goods shipped to foreign countries via our coastwise liners and transshipped at New York Harbor. The London Naval Stores Co. is charged 3 cents per 100 pounds for transfer in New York Harbor. Mr. Presess, of the Ocean Steamship Co., stated in our office that they had an agreement with the Hamilton Storage & Lighterage Co., of New York, to pay them 6 cents per round barrel on all lighterage in New York Harbor, as against the charge we had to pay of 15 cents. We took the position that the Hamilton Storage & Lighterage Co. was a subsidiary company of the American Naval Stores Co., and we so came out in public print. It was afterwards denied by an article in the Journal of Commerce, written by Mr. Steers, I think, as president, denying the allegation and belittling our article as much as he possibly could. We then proceeded to find, if possible, what connection the Hamilton Storage & Lighterage Co. had with the American Naval Stores Co. From Bradstreet we could not get a report. The Bradstreet report said they refused to make a statement as to the company's officers or stockholders. We then received a letter, dated January 29, from Perkins, Goodwin Co., New York, stating:

Our company has considerable lighterage to do in New York Harbor of clay, pulp, etc. And Mr. Dill, in soliciting a share of this business, has stated that the Hamilton Storage & Lighterage Co. is owned and controlled by himself and several other gentlemen, the American Naval Stores Co. owning no stock whatever in the company. The dealers in naval stores here have looked upon the Hamilton Storage & Lighterage Co. as part and parcel of the American Naval Stores Co., but in view of the statement made to us by Mr. Dill recently we can not consistently address a letter to the Journal of Commerce on the subject on the lines you suggest.

We suggested, as they had given us this information, that they rebut this article written by Mr. Steers, and, for the information of your committee I will state that Mr. Dill is the manager of the American Naval Stores Co., of New York.

Mr. HARDY. Mr. Dill is the manager of the American Naval Stores Co., of New York?

Mr. SCHWARZ. Of New York, sir.

Mr. HARDY. And he claims he personally owns—

Mr. SCHWARZ (interposing). The Hamilton Storage Terminal Co.
Mr. HARDY. That connection looks pretty plain, but what illegality is there in it?

Mr. SCHWARZ. I do not think, under the present law, there is anything against it, but I think there should be constructive legislation against those things.

Mr. HARDY. If your business were large enough to authorize you to employ somebody to attend to your special business at the other end of your line at New York, what impropriety would there be in it?

Mr. SCHWARZ. It is simply a matter of squeezing out the small man; that is all. It is killing competition.

Mr. HARDY. Is there nobody else you can get to handle your goods there?

Mr. SCHWARZ. Yes, sir; but then we are handicapped for the reason we are not in a position to obtain a through bill of lading at Savannah. The Ocean Steamship Co. will not give us a through bill of lading if our goods are lightered by any independent lighterage company in New York Harbor.

Mr. HARDY. They require you to have your goods lightered by this man Dill, do they?

Mr. SCHWARZ. No; they attend to the lighterage. I do not know whether Mr. Dill does it or not, but the Ocean Steamship Co. charge us 3 cents per hundred. We can have it done at 2 cents per hundred by the firm of George L. Hammond & Co., but if we do that we have to consign our goods to Hammond; he goes and gets them; then he takes the goods alongside the foreign steamer, and we do not obtain our bills of lading until the goods are actually inside the foreign ship, which is a handicap. I venture to say it means five or six days' interest to us on our goods, for the moment we receive our through bill of lading we make up our foreign exchange and sell it to the banks in New York, or Savannah, rather.

Mr. HARDY. About what volume of the business does that probably affect?

Mr. SCHWARZ. It would affect, if we had equal rates, quite a large volume of business.

Mr. HARDY. So that the interest for five or six days would become a material item, would it?

Mr. SCHWARZ. Take a quantity, say, 2,000 barrels of rosin, which would amount to \$20,000. The interest on \$20,000 for five or six days means something; but not only that, it is the inconvenience, and it is the matter of having to put up with it. Now, the commercial agent at Savannah of the Ocean Steamship Co. says the American Naval Stores Co. never ship anything on a through bill of lading.

Mr. HARDY. That makes your rates higher by the difference between 6 and 15 cents, does it not?

Mr. SCHWARZ. And plus the other 10 cents, which we have had to contend with up to February 1.

Mr. HARDY. You had, up to February 1, then, a difference of 2 cents per hundred on actual freight, did you?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. A difference of 9 cents on this lighterage proposition?

Mr. SCHWARZ. Yes, sir; that is 19 cents per barrel.

Mr. HARDY. A difference of 5 cents?

Mr. SCHWARZ. That is, 2 per cent of the value of the goods, plus the loss of interest.

Mr. HARDY. In case you did not ship through the company itself?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. And of course you had the inconvenience attached to it?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. That was because of your competition with the American Naval Stores Co.?

Mr. SCHWARZ. Yes, sir.

Mr. HARDY. I believe you said that in February they discontinued that preference in freight rates, is that your understanding?

Mr. SCHWARZ. They claim they have; yes, sir.

Mr. HARDY. Do you know whether they get around the proposition in any other way and still give any preference?

Mr. SCHWARZ. That is hard to tell. Unless there is some constructive legislation there is no telling when they will do it.

Mr. HARDY. Those are all the facts you wish to put before the committee, I suppose?

Mr. SCHWARZ. There has been considerable correspondence that is all based on facts, which you have here. You have a lot of correspondence here from us.

Mr. HARDY. Is it all with reference to these circumstances you have been relating?

Mr. SCHWARZ. Yes; all based on the same thing.

Mr. HARDY. What constructive legislation would you suggest?

Mr. SCHWARZ. First of all the coastwise liners and their port-to-port rates, or their port-to-port business, I should say, should be put absolutely under a similar control to that of the railroads. In other words, under the control of the Interstate Commerce Commission. It is the only way we see that the smaller or weaker man can live, especially in our line of business, where we have a would-be monopoly, or rather an absolute monopoly, of the naval-stores trade, practically speaking; that is, the American Naval Stores Co. are the trust. They have had these special privileges not only from Savannah but from other ports.

Mr. HARDY. From what other ports?

Mr. SCHWARZ. From Wilmington, Charleston, Savannah, Brunswick, and Jacksonville; I understand also from New Orleans and from Mobile.

Mr. HARDY. What line of goods are they confined to?

Mr. SCHWARZ. Naval stores.

Mr. HARDY. Is there any personal relationship between the Naval Stores Co. and the Ocean Steamship Co.?

Mr. SCHWARZ. Is there any what?

Mr. HARDY. Any interlocking interests, directors or stockholders?

Mr. SCHWARZ. I do not think so; no.

Mr. HARDY. Are you acquainted with the Ocean Steamship Co.?

Mr. SCHWARZ. The Ocean Steamship Co. is owned and controlled by the Central Railroad of Georgia, and they again in turn by the Illinois Central Railroad Co.

Mr. HARDY. Why should this American Naval Stores Co. be given any special advantages? What personal relations are there that bring that about?

Mr. SCHWARZ. The personal relations are very friendly, exceeding friendly. The head officials of the Ocean Steamship Co. and the head officials of the American Naval Stores Co. are very good friends.

Mr. HARDY. Have they any common financial interests?

Mr. SCHWARZ. I do not think so; not to my knowledge.

Mr. HARDY. It is just a matter of favoritism, then, prompted by personal feeling, or otherwise?

Mr. SCHWARZ. Of course we can not tell how this thing was brought about, but those things are generally brought about by the proverbial club being used. They are very apt at times to threaten a steamship line with putting on their own lines, and then they will make them a special rate which no one else can have. Those things happen.

Mr. HARDY. You think probably that the steamship lines are acting partially in the fear of possible competition, do you?

Mr. SCHWARZ. I would not say that. I think they are so large that I do not believe they have anything to fear. Mr. Pleasants, the vice president and general manager of the Ocean Steamship Co., said he felt positive that legally they were within their rights, but he said: "I am glad to admit to you now that, morally, it is wrong," and he said, "I will pledge you my word that it is going to stop on and after February 1, 1913, on that date." I asked him: "Why do you not do it now, this day?" He said: "I can not, and you know why; because we are under an agreement."

Mr. HARDY. What suggestion would you have to make, besides the simple suggestion you have already made, after you have put this Ocean Steamship Co. under the supervision of the Interstate Commerce Commission; what regulations would you have the Commerce Commission apply to them?

Mr. SCHWARZ. What regulation?

Mr. HARDY. Yes; what restrictions?

Mr. SCHWARZ. I should imagine the same restrictions as are applied to the railroads.

Mr. HARDY. Requiring them to give the same rates to all parties?

Mr. SCHWARZ. All parties, irrespective of quantities.

Mr. HARDY. And the same facilities?

Mr. SCHWARZ. Yes; and there should be constructive legislation, so far as local transfer companies are concerned, lighterage companies.

Mr. HARDY. You would make them also subject to the same supervision?

Mr. SCHWARZ. Yes, sir; they should be a part and parcel of it.

Mr. HARDY. Would you also name any special rate for large contracts? Say a man had 100,000 barrels to ship, would you give him any cheaper rate than the man who had only 1,000 barrels to ship?

Mr. SCHWARZ. Generally speaking I am not in a position to state. But from the point of naval stores I am in a position to speak, and on that point I would say no; everybody should have the same rates, because there is only a limited quantity of goods. It is not like coal or wheat, of which you have a practically unlimited quantity.

Mr. HARDY. Even if it were like coal and wheat, have you not got to have a limitation of that kind in order to prevent monopoly?

Mr. SCHWARZ. I should imagine so. I say from those standpoints I do not know, but I would contend it should be equal.

Mr. HARDY. If the man with the large quantity of freight gets the cheaper rate, that enables him to still further have the advantage of the smaller line, does it not?

Mr. SCHWARZ. Absolutely, the smaller man is dished.

Mr. HARDY. And ultimately it will enable the larger line to crush him out, will it not?

Mr. SCHWARZ. Yes, sir.

Mr. POST. Why do you ship your cargoes Savannah to New York, and then try to reship to Europe?

Mr. SCHWARZ. There are some instances where we can not get a direct line of freight. To South America, for instance, you can not ship to South America direct. There are no direct lines from Savannah to South America.

Mr. POST. For want of ships?

Mr. SCHWARZ. Yes, sir. We find that in applying for rates or arbitraries via Philadelphia and Baltimore that we can do business via Philadelphia and Baltimore with the Merchants & Miners. From all appearances they have given everybody the same deal, and a square deal on those matters. We have never had any trouble from those two ports. We also do a considerable business at Philadelphia in rosin, direct to Philadelphia; but when it comes to New York we have been sadly wanting there.

Mr. HARDY. We are very much obliged to you.

LETTERS WRITTEN IN ANSWER TO PORTIONS OF THE TESTIMONY OF MR. G. S. JACKSON AND MR. F. A. MEYER BEFORE THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

BALTIMORE, March 1, 1913.

HON. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: Our attention has been called to statements made before your committee on 22d ultimo by Mr. G. S. Jackson (Gill & Fisher), and Mr. F. A. Meyer (Louis Muller Co.), grain exporters of this city.

As several of these statements are quite incorrect, and consequently misleading, we can not allow them to pass unchallenged.

In the first place, from the report which we have read, the statement was made that the few regular sailings from Liverpool to Baltimore were due to the "sufferance" of the International Mercantile Marine.

We desire to give this a most unqualified denial. The Johnston Line, which is the Baltimore-Liverpool line (represented by this office), is an entirely independent line, is in no way connected with the International Mercantile Marine, or any other company or combination, and conducts and proposes to continue to conduct its business entirely independently.

In regard to the further statement of the same witness (Mr. Meyer), that if the Baltimore-Liverpool line attempted to increase its service and tonnage the "shipping combination would put its foot on it," we desire also to deny this most emphatically. We can increase our sailings at any time we consider the volume of import and export traffic warrants us in so doing without let or hindrance from anyone.

The statements made by this witness on the two foregoing matters would be ignored by us under ordinary circumstances, but when he seeks to convey to your honorable committee impressions, not facts, which are so entirely erroneous, we are obliged to take this opportunity of contradicting same in the strongest manner.

There is no regular steamship line from this port that has catered more to the upbuilding of the export grain trade of this port during the past 32 years than this Baltimore-Liverpool line.

In Mr. Meyer's testimony he makes the further statement that during seven months from the first of August he could only get room for 90,000 bushels of grain to Liverpool.

From early April to middle of July we had a longshoremen's strike which paralyzed the import and export trade of this port. At the termination of this trouble, about middle of July, we had an accumulation of traffic to clear up, and it was not until September 1 that we could take on any new grain engagements. Between that date and December we contracted over 300,000 bushels. During November and December we kept repeatedly offering our grain room from December to April to the shippers here, Gill & Fisher, and Louis Muller Co. included, at the equivalent rates that Liverpool lines from other North Atlantic ports were also offering, but we could not sell any of it. The invariable reply that we got from Messrs. Gill & Fisher and Louis Muller Co. was that it was not possible to sell any grain to Liverpool, as for some unaccountable reason this port was not a buyer.

Our own opinion, from what these shippers said to us from time to time during this period (when they were chartering so many tramp steamers for full cargoes to the United Kingdom and Continent), was that they felt that as they could sell a full cargo of grain running to probably 250,000 bushels to almost any port with the same effort that was required to sell a lot of 40,000 bushels by a regular line steamer the berth room was not worth the effort required.

This is confirmed in great measure by the fact that another firm, John T. Fahey & Co., who have not done as much of the full cargo tramp business as these other shippers, but who made greater efforts to sell our Liverpool room, have booked with us as much as all the other exporters combined.

As to the export grain business of this port "slowly dying," this is a fallacy. It is only necessary to look at the export statistics to have this refuted. Nor is there any "freezing out" being done.

Our statement as to the inability of these complainants to sell our room when other shippers could and the fact that the Johnston Line is absolutely independent should, we think, be sufficient to refute both of these ideas.

Respectfully, yours,

JOHNSTON LINE FOREIGN AGENCY (LTD.),
ROBERT RAMSAY, *Managing Director*.

BALTIMORE, March 1, 1913.

HON. J. W. ALEXANDER,
*Chairman Committee Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: We have noticed that, at a hearing made before your committee on the 22d ultimo, certain statements were made by Mr. G. S. Jackson, of Messrs. Gill & Fisher, and Mr. F. A. Meyer, of Messrs. Louis Muller Co., grain exporters of this city.

The first statement which we desire to correct is that in connection with the Glasgow service from this port. We represent the only Glasgow service from this port—the Donaldson Line—and we desire most emphatically to correct the impression which seems to have been given your honorable committee—that this service is in any way controlled by any combination of lines from New York or any other port.

The Donaldson Line service has been running from here for 30 years and is an entirely independent service in every respect, not controlled in any way.

The port of Glasgow, Scotland, is a comparatively poor port for grain shipments from this country, but is a very considerable receiver of American flour. The flour exports from this country for several years, up to this last winter, have been very light, owing to high prices; the consequence of this is that sailings have been thereby reduced.

In addition to this the import trade from Glasgow to the United States is unusually small, and this has also assisted in the reduction of tonnage.

This is the reason why the sailings have not been so frequent from Baltimore as they have been in past years, and is not occasioned by any other cause.

We have tonnage at present offering on our Glasgow Line from this port to-day for which we can not get grain without being forced to seriously cut the freight rate.

In the interest of our principals we think it is but fair that we should make the foregoing statements so that the entire matter may be made perfectly clear in the mind of yourself and your committee and that you should not be left under any wrong impression.

Respectfully, yours,

ROBERT RAMSAY CO.

(Thereupon the hearing was adjourned until 10.30 o'clock a. m.)

THURSDAY, FEBRUARY 27, 1913.

The committee met at 11 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Humphrey, and Burke.

TESTIMONY OF MR. BRADLEY W. PALMER, REPRESENTING THE UNITED FRUIT CO., OF NEW YORK CITY.

The CHAIRMAN. Mr. Palmer desires to make a statement, and if there is no objection he may proceed.

Mr. PALMER. On January 29 and January 31 Mr. Di Giorgio, the president of the Atlantic Fruit Co., and Mr. Sickels, representative of the Hamburg-American Line, made certain statements regarding the United Fruit Co. which we take exception to. The character of the statements was extremely derogatory, and in order to deny them in a full and conclusive manner, I have prepared a memorandum containing a full statement of all the matters dealt with in Mr. di Giorgio's statement, and explanations of them in reference to written documents and evidence, and I desire to present the memorandum for the use of the committee, and should like to have appear in the records of the committee such portions of the memorandum, or such statements, as will show the United Fruit Co. has denied the allegations complained of. With the consent of the committee I should like to read the first pages of this memorandum. The latter half of it consists of documents, which it is not necessary to read. If the committee wishes, I will give each one a copy, so you may follow the reading. [Reading:]

Joseph di Giorgio, who had formerly sold bananas of the West India Trading Co. in Baltimore, organized the "Di Giorgio Importing & Steamship Co." under the laws of Maryland, with a capital of \$100,000, on February 5, 1901, with Joseph di Giorgio as president and general manager and Henry J. Buck as secretary and treasurer. The company obtained bananas from Jamaica, Cuba, and a few in the Chiriqui Lagoon, Panama. It owned no plantations, but purchased the bananas in the open market.

On January 25, 1905, Joseph di Giorgio organized the Atlantic Fruit Co. under the laws of Delaware with a capital of \$250,000, of which \$75,000 represented the assets of the Di Giorgio Importing & Steamship Co. which was taken over. Joseph di Giorgio was president and Henry J. Buck secretary, and it continued the business formerly conducted by the Di Giorgio Importing & Steamship Co.

Immediately after organization the Atlantic Fruit Co. apparently declared a vendetta against all other fruit importers, but its officers were so inexperienced and ignorant of the banana business that their action was suicidal, and very quickly brought the company to the point of bankruptcy.—ATLANTIC FRUIT CO.

If I might inject a remark here, I would say: It is not my purpose to say anything derogatory to Mr. di Giorgio, or anybody else, except so far as necessary to explain the relations between the two companies, and I trust the committee will bear that in mind. I am not actuated by malice or any other unfriendly motives, and the statements I have made here are simply for the purpose of illustration.

Mr. HUMPHREY. May I interrupt you a moment?

Mr. PALMER. Yes, sir.

Mr. HUMPHREY. Is it your intention to read this statement?

Mr. PALMER. I am going to read, with your permission, the first 25 pages.

Mr. HUMPHREY. I would make this suggestion: We are liable to be called to the House any minute, and therefore would it not be advisable for you to make such statement as you might wish outside of this prepared memorandum, in view of the fact this hearing is liable to end at almost any moment?

Mr. PALMER. It would be very difficult to give you an adequate idea of the situation; to give you the setting that is necessary in order that you may understand the intimations contained in Mr. di Giorgio's statements, without first giving you a history of his business and of the relations of his company to ours, and I have condensed those matters as much as I can in this statement, and, in the desire to be very accurate, I should prefer to read the statement. It will not take very long.

The CHAIRMAN. This, of course, is really collateral to the inquiry and resolution No. 587, but in fairness to the United Fruit Co. it ought to go in the record.

Mr. HUMPHREY. The whole statement ought to go in the record, but whether or not it would be well for you to make whatever statement you wished to make first and then let this printed matter go in is the point I desire to make, because I do not believe we shall be able to hear you through, and by the time you are ready to make your oral statement we shall probably be gone.

Mr. PALMER. This is the statement I desire to make, and as I go along I should like to have you ask any questions you wish to ask of me.

The CHAIRMAN. At this point, where you say:

Immediately after organization the Atlantic Fruit Co. apparently declared a vendetta against all other fruit importers, but its officers were so inexperienced and ignorant of the banana business that their action was suicidal, and very quickly brought the company to the point of bankruptcy.

What other fruit importing companies were there at that time?

Mr. PALMER. There were quite a number of other fruit importing companies. There were a number in Philadelphia, in Baltimore, and some doing business in New York and some in Boston.

The CHAIRMAN. That is, on January 25, 1905?

Mr. PALMER. On January 25, 1905, and a little further along in this memorandum it is explained just what I mean by the statement of operating in an inexperienced manner. That is contained in the next paragraph.

Mr. HARDY. Do you not think it would be well to eliminate that kind of statement in reference to the action of the other companies? It seems to be the general attitude of conference lines and the combination people, and the people complained of, that the other fellow did not have any competency or capacity, and that his lack of competency or capacity is the reason why he went to the wall. That has been the complaint before us very frequently.

Mr. PALMER. That is not the purpose and that is not our statement at all. What happened was, when Mr. di Giorgio started in the fruit business in 1905, he did not take into consideration or have regard for the peculiar characteristics of the business. Instead of bringing his bananas into ports in a manner so they could be sold at

a profit, he brought too many bananas in to one place, and this not only caused loss to himself, but loss to others.

Mr. HARDY. I suppose you explain that later, but it might be well to eliminate those general charging statements and give only the facts.

Mr. PALMER. Suppose, with your permission, then, I strike out that clause?

Mr. HUMPHREY. I think you may put it all in the record; I think there will be no objection to that. Suppose you have it all go in the record first, and what you say now in the way of comment afterwards.

The CHAIRMAN. Yes.

Mr. PALMER. The point I wished to make by that statement was that Mr. di Giorgio's act was suicidal and in the next paragraph there is an explanation as to how that worked out.

The CHAIRMAN. His insistence was, that the United Fruit Co., with its vast resources and business connections, was so powerful that the contest was unequal between them, and that his failure was the result of their repressive methods. However, we are quite willing to hear the whole matter.

Mr. PALMER. I do not think Mr. di Giorgio has even made that charge, and my purpose in going into the detail of the situation as it existed at that time is to show you that such a suggestion was not in accord with the fact.

The CHAIRMAN. The committee is quite willing you should state the facts.

Mr. PALMER. And I desire to confine myself exclusively to facts.

Mr. HARDY. In order to save time I suggest the gentleman read it in his own way. I assume he has tried to concentrate it as much as he could.

The CHAIRMAN. You may proceed.

Mr. PALMER (reading):

Mr. Pedro J. Mones, a grower of bananas in Cuba, part of whose bananas were sold to the Atlantic Fruit Co., became much alarmed and sought means to save his business interests. In order to understand how he proposed to do so a short explanation is necessary.

When the United Fruit Co. was formed it acquired banana plantations in Cuba, and for several years ran steamers to several points in Cuba to carry its own fruit and also fruit purchased from other planters. Mr. Mones owned and was interested in various plantations in Cuba, and controlled bananas produced on others. Much of this fruit was sold to the United Fruit Co.; some of it was consigned to W. W. & C. R. Noyes, at Boston. When the United Co. discontinued its Cuban service and abandoned the banana business there Mr. Mones was obliged to seek other purchasers for the fruit formerly taken by the United Co. Di Giorgio visited Mr. Mones in Paris, and Mr. Mones agreed to give him the fruit except that which he was to continue to ship to Noyes, in Boston, and in order to protect his Boston market from competition with his own fruit he required Di Giorgio to promise not to enter the Boston market. Shortly thereafter Mr. Mones received an account of sales from Noyes, showing heavy loss on the first cargo for 1905, with a letter explaining that the loss was occasioned because Di Giorgio had begun bringing Cuban fruit into Boston in competition with Noyes Cuban fruit. Mones immediately sailed for New York. He was met on the dock by one of Di Giorgio's men and solicited to advance funds for the support of the Atlantic Co. (see copy of letter A. W. Preston to Minor C. Keith, Apr. 27, 1905, Appendix, p. 26). Mr. Mones went to Boston to see Noyes and found conditions as represented and very bad. He also inquired into the affairs of the Atlantic Co. and found it was on the point of

bankruptcy. As the company was indebted to him for fruit in a large amount and was the only buyer of most of his fruit, the condition was a serious one.

Mr. Mones thereupon called upon Mr. Preston, his long-time friend, for advice and assistance. Di Giorgio requested an interview with Mr. Preston, but the latter declined to meet him. However, Mr. Mones persisted and called upon Mr. M. C. Keith, vice president of the United Co. in New York, and eventually arranged interviews in New York between them and Messrs. Mones and Di Giorgio and their counsel. Mr. Mones brought a statement from Joseph di Giorgio (see Appendix, p. 27), setting forth the financial condition, steamship charters, and banana contracts of the Atlantic Co., and containing this statement: "Atlantic Fruit Co. are disposed to deliver 55 per cent of their present stock to nominees of the United Fruit Co. without any payment, giving contract of the stock," etc. An understanding was reached that the 55 per cent, or 1,260 shares, should be virtually deposited in escrow, in order to secure better management in accordance with Mr. Mones's ideas—that the company should go on with its business independently and in competition with the United Co. and that Di Giorgio should be guaranteed for 10 years a salary of \$7,500 and dividends of at least \$2,500 a year. An agreement was drawn by their counsel on these lines, but Di Giorgio refused to sign, because he claimed that he expected the United Co. to buy the stock at par, whereas every one else interpreted the phrase "without any payment" to mean that the stock was not to be bought. A long dispute resulted, but as most of the stock to be delivered belonged to Di Giorgio personally, he was very obdurate. Finally a compromise was reached by which the United Co. agreed to buy the 1,260 shares for \$40,000. This seemed safe, as the statement of assets and liabilities furnished by Di Giorgio to Mr. Keith (see Appendix, p. 29) showed the \$216,500 of stock then issued to have a book value of \$106,238.69.

There were sound business reasons which moved the United Co. to enter into this transaction, to understand which a short explanation is necessary.

The banana trade is very peculiar. Bananas are the most perishable commodity known. They must be disposed of immediately on arrival, as they will not keep. The supply must be carefully adjusted to the demand, as the purchasers can not take at any price more than they can sell, and surplus supplies are lost. The only way to escape such losses is to adjust arrivals of cargoes to the demand, and, when one importer recklessly surcharges the market or does not adjust his cargoes with regard to the arrival of other ships, the result is heavy loss to himself, disturbance of other importers, and benefit to no one. At this point it should be observed that the importer can not control the price. He has to sell at once, at the best price he can get, and the price is wholly governed by the buyers and regulated by competition among them. An oversupply can neither be kept nor sold.

Di Giorgio did not appreciate these things. He caused his ships to arrive at various ports in utter disregard of market conditions and demand, and therefore suffered heavy losses. The company became seriously involved, it could not meet its notes, was without credit, and was just about to fail.

When Mr. Mones asked the assistance of the United Co., the latter had a choice of two courses—one to let the Atlantic Co. fail and the other to help it from failing—and by friendly assistance and advice show it how to conduct its business properly, profitably, in increased amounts, and without injury to the other importers and buyers alike.

There were several reasons why the United Co. did not want the Atlantic Co. to fail. It bought the Cuban bananas which the United Co. did not want. The United Co. had converted its banana farms into cane fields, had built a great sugar mill, and invested larger sums in the sugar business. It had abandoned the banana business in Cuba, and many planters of bananas, including Mr. Mones, who had formerly sold their product to the United Co., had to seek other outlets. They succeeded in getting another buyer in the Atlantic Co., but it was obvious that if this buyer failed, the Cuban planters would have attributed their misfortunes to the United Co., to its detriment in Cuba in many ways. Then, too, in the United States buyers are dissatisfied if they are limited to a single importer. It does not hurt the business of the United Co. if buyers can buy of others also; but, on the contrary, it helps in various ways.

An important reason was this: Di Giorgio's operations had disturbed the regulation of supplies and resulted in loss to the other importers, including the United Co., without any corresponding advantage to buyers. Mr. Mones thought that, with advice of experienced persons, the operations, and especially the sailings, of the Atlantic Co. could be adjusted so that its importations would

be distributed to meet demand, and the Atlantic Co. could sell all the bananas which it was buying with profit to itself and its customers and without injury to others. There was no question of restraining competition or of restricting importations. The only change desired was to adjust the supply to the demand, if possible, thus avoiding the loss of the fruit resulting from an oversupply.

These objects could not have been as well attained if the United Co. had bought out the Atlantic Co. or sought to control it, but could be if Di Giorgio would take advice in general policy, without being hampered by loss of control. It is obvious that at any time thereafter, if the United Co. had sought control, or had wished to dominate the Atlantic Co., it was fully able to do so. But such was not its intention, and this is best proven by what actually happened. There was no change in the board or management of the Atlantic Co., and it pursued its own course as freely and independently as if the stock had not been sold. All the United Co. did was to assist the Atlantic Co. with money, advice, and in various ways. Di Giorgio sometimes took the advice and as often did not. The sole effect of the sale was a sort of moral influence on Di Giorgio. As long as the United Co. owned the shares his operations were more businesslike and conservative than they otherwise would have been. This is shown by comparing his operations during the period between May, 1905, and May, 1910, with those preceding and following that time.

Di Giorgio has stated that he did not understand that the United Co. had bought his stock. In this his memory is at fault, because he himself dealt directly with Mr. Keith and furnished the latter with the statement of the Atlantic Co.'s business to justify the price which he asked for his stock. On May 19, 1905, the United Co., through its vice president (Mr. Keith), advanced \$20,000 to the Atlantic Co. in order that funds might be sent by cable to Jamaica for the cargoes to be loaded the next week. On May 23, 1905, Di Giorgio in person called upon the vice president of the United Co. at the offices of that company in New York, delivered 406 shares of stock and also a note of the Atlantic Co. for \$44,000 for another loan. Also, immediately after the purchase was made, the auditor of the United Co. was sent to Baltimore, after being introduced to Di Giorgio and provided with due authority, and not only made a thorough investigation of their books but installed a new and different system of keeping books and making statements, which had been originated and developed by the United Co. for the banana business. Di Giorgio would scarcely have permitted the auditor of a competitor to investigate his books and introduced new ways of keeping them without a very unusual reason. The reason was because the United Fruit Co. had bought the stock. (Incidentally, the auditor ascertained that instead of a surplus of assets of \$106,238.69 the Atlantic Co. had lost over \$200,000 in operations, the company was insolvent, and the stock which the United Co. had bought for \$40,000 was worthless.)

From that time the business of the Atlantic Co. rapidly increased. Di Giorgio continued as president and general manager, and was wholly independent. On July 13, 1905, the board adopted a resolution, without dissent, that no copies of correspondence or other papers relating to the company's business should be sent out to anyone without being first submitted to the president; also that no one connected with the United Fruit Co. should be employed, and that no one to occupy a responsible position should be employed except by and through the president and treasurer. The president was Di Giorgio, and the treasurer from October 24, 1905, was Henry J. Buck, who had been secretary and treasurer of the "Di Giorgio Importing & Steamship Co.," and had always remained with Di Giorgio.

The company continued as an active competitor of the United Co. both in purchasing bananas in Jamaica and in selling them in the United States. There is not the slightest question as to these facts. The increase of the business is shown from the following figures:

Importations by years ended Sept. 30 by the Atlantic Fruit Co. and its predecessor, Di Giorgio Importing & Steamship Co.

	Bunches.		Bunches.
1904-----	1, 410, 995	1908-----	4, 120, 876
1905-----	4, 645, 630	1909-----	5, 172, 647
1906-----	4, 893, 871	1910-----	5, 269, 466
1907-----	4, 848, 332		

During the same years the importations of the United Co. were as follows:

Importations by years ended Sept. 30 by the United Fruit Co.

	Bunches.		Bunches.
1905.....	19,929,433	1908.....	20,404,370
1906.....	19,352,310	1909.....	21,212,449
1907.....	22,039,688	1910.....	19,944,646

The profits and losses of the Atlantic Co. were as follows:

	Amount.	Remarks.
To Sept. 30, 1905.....	\$155,065.55	Loss.
To Sept. 30, 1906.....	305,150.05	Profit.
To Sept. 30, 1907.....	141,829.47	Do.
To Sept. 30, 1908.....	138,048.80	Loss.
To Sept. 30, 1909.....	15,966.07	Profit.
To Mar. 30, 1910.....	43,242.22	Loss.

The variations from profit to loss during this period were due to the fluctuations peculiar to the banana trade. The business is most uncertain, and all engaged in it suffer similar variations.

On May 10, 1905, the capital of the Atlantic Co. was \$216,050.

At a meeting of the board of directors on June 2, 1905, at which Di Giorgio presided, the following resolution was adopted:

"Whereas this board has noted the great service rendered to the company in the arrangement of certain of its financial affairs during the past month upon the part of Mr. Joseph di Giorgio and the Marquis de Maury (Mr. Mones);

"And whereas it is desired to compensate these gentlemen for the services rendered and labor performed by them in said matters:

"Resolved, That the proper officers of the company be, and they are hereby, authorized and directed to issue in payment of said services to each of the said Joseph di Giorgio and Marquis de Maury 169 shares of the full-paid capital stock of this company."

At the time of the negotiations in 1905 it was made known that Di Giorgio was personally interested in jobbing houses which handled some of the bananas imported by the Atlantic Co. for their own account. The whole subject of the personal interests of Di Giorgio as opposed to those of his company was thoroughly discussed; and, as Di Giorgio was the chief executive officer of his company and was to continue as such at a high salary, it was thought to be fair and reasonable that he should devote his entire time to the business of the company and should not have any personal interests which would or might conflict with those of the company. The contract therefore provided that during the period of 10 years for which he was employed he should "devote all his time and his services exclusively to the business and interests of the [Atlantic] Fruit Co." and that he would not engage or become interested in any way in opposition to the interests of the company. Those covenants, however, were only coextensive with his employment, and it was provided that in case the company should dispense with his services (which it could do only in case Di Giorgio failed to fulfill his own agreements) that he should be released from the covenants above mentioned.

The propriety of these provisions can not be questioned. They cover matters which are ordinarily taken for granted between corporations and their managers. The United Fruit Co., for example, very early put into effect similar restrictions applying to all its officers and employees, high and low alike. On April 15, 1902, the board of directors passed the following resolution:

"It was therefore voted that the board of directors of the United Fruit Co. express the following general policy, namely, that it is undesirable for any officer or employee of the company to have any personal interest in any corporation, partnership, or business associated or connected with the United Fruit Co. or having any contractual or business relations with it.

"It was further voted that the president be instructed to transmit copies of the foregoing proceedings generally to the officers and managers of the company and to ascertain whether there are any cases in which any such personal in-

terests exist and to take such measures as he deems advisable, with due respect to the interests of such officers and employees and of the company to bring every case into harmony with the board's express policy."

Nevertheless, Di Giorgio procured his board of directors to allow him to become financially interested in J. Simon & Co. (August 23, 1906), and in the Angels Co. of Jamaica. Both of these concerns sold bananas to the Atlantic Co. And on December 9, 1909, Di Giorgio procured the passage of a resolution to relieve him entirely of his covenants explained above. This action was taken at a meeting at which five directors were present, as follows: Di Giorgio (president), Buck (treasurer), Holton, Rollins, and Ward. Messrs. Holton and Ward voted against the resolution and Messrs. di Giorgio, Buck, and Rollins in favor of it. It was not, therefore, legally adopted, because Di Giorgio's vote should not have been counted.

The resolution was as follows:

"Whereas by an agreement entered into on or about the 10th day of May, in the year 1906, by and between the Atlantic Fruit Co., Pedro J. Mones Maury, of Paris, France, and Joseph di Giorgio, of Baltimore, Md., the said Joseph Di Giorgio covenanted and agreed that he would neither directly or indirectly, individually or by or through any copartnership or corporation, or as an officer or stockholder of any corporation, firm, or business, engage in the business of buying, importing, or selling bananas in Jamaica, Cuba, or any of the West Indies or any of the States of Central or South America or in the United States of America, except as an officer of the Atlantic Fruit Co., for and during the period of time from the date of the incorporation of the Atlantic Fruit Co. until the 1st day of July, 1915, agreeing to devote his entire time and attention exclusively to the Fruit Co., all of which covenants and agreements are set out in the aforesaid contract above referred to;

"And whereas by resolution of this board, on August 23, 1906, permission was given to the said Joseph di Giorgio to become interested in a corporation known as the J. Simon Co. (now known as the Simon Fruit Co.) and to continue interested as a stockholder in the United Fruit Co., without waiving the covenants of the aforesaid contract of May 10, 1905, except as in said resolution provided;

"And whereas by agreement dated the 26th day of November, 1906, between the Atlantic Fruit Co. and the said Di Giorgio, the said Di Giorgio assigned his interests in the Simon Fruit Co. to the Atlantic Fruit Co. upon terms and conditions as appearing in said agreement;

"And whereas as by resolution of this board on May 13, 1909, the said Di Giorgio, as president of the Atlantic Fruit Co., was authorized to make such agreements and to continue such negotiations with reference to acquiring new or old banana plantations in Central America and elsewhere;

"And whereas the said Di Giorgio, having since the date of said agreement of May 10, 1906, given his best efforts and services to the Atlantic Fruit Co. in the promotion and extension of its business, and having shown to the directors and stockholders of this company his entire good faith in their interests, and it being now decided to remove all remaining limitations and restrictions upon the said Di Giorgio's becoming interested, directly or indirectly, in other corporations, firms, or businesses, engage in the importation, sale, or handling of bananas, wherever situated, without in any manner affecting the contract of employment of said Di Giorgio with this company and of the subsequent acts of this board in extending said employment: Now, therefore, be it

"Resolved, That this board does hereby confirm the employment of said Di Giorgio as set out in the third paragraph of the agreement of May 10, 1905, and as contained in each and all subsequent resolutions, orders, or motions of this board, continuing, extending, and enlarging said employment; and be it further

"Resolved, That in consideration of the faithful services rendered by said Di Giorgio to this company, the restrictions imposed upon his engaging either directly or indirectly, individually or by or through any copartnership or corporation, or as an officer, agent, or stockholder of any corporation, engage in the business of buying, importing, or selling bananas in Jamaica, Cuba, or any of the West Indies or any of the States of Central or South America, or in the United States of America, except as an officer of the Fruit Co., for and during the period of time from the date of incorporation of the Atlantic Fruit

Co. until the 1st day of July, 1915, all as contained in the first and second paragraphs of said agreement of May 10, 1905, be and the same are hereby removed, and the said Joseph di Giorgio relieved from the operation of said covenants and agreements; and be it further

"Resolved, That a copy of this resolution, duly certified, shall be delivered to said Joseph di Giorgio by the secretary."

We do not know what Di Giorgio contemplated when this action was taken, unless we can draw surmises from subsequent events. The effect was that Di Giorgio considered himself released from the reasonable and proper restrictions forbidding him to become personally interested in conflict with the company which he controlled and which he was bound to serve. The situation was most unsatisfactory to the shareholders. In the meantime the company's business had been established on a firm basis, the company was prosperous and secure, and the purposes which led the United Co. to extend its aid in 1905 had been accomplished. The United Co. was placed in the dilemma either of attempting to enforce a shareholder's control as it had never yet done or of severing the relations which, if continued, bid fair to create dissensions. The United Co. had already decided to withdraw from all interest in the Atlantic Co. when, to its great relief, a proposition for that very purpose was voluntarily submitted by Di Giorgio in the following letter:

[The Atlantic Fruit Co., importers of tropical fruits, 11 Broadway. Joseph di Giorgio, president; Henry J. Buck, treasurer; Irving K. Ward, secretary and general auditor.]

NEW YORK, March 17, 1910.

A. W. PRESTON, Esq.,

President the United Fruit Co., 131 State Street, Boston, Mass.

MY DEAR MR. PRESTON: I shall greatly appreciate it if some time within the next week or 10 days you can find it convenient to give me a little of your time for the discussion of certain matters that I have been anxious to take up with you for some time. I should be glad to go to Boston for the purpose if necessary.

In order that before seeing you you may have an opportunity to give some consideration to the subject, I desire to state that the matter upon which it is my wish to come to some understanding relates to my present and future connection with the Atlantic Fruit Co. and my control of its affairs. The agreement under which I am now working with this company is now five years old and has five more years to run. I do not think I am saying too much when I state that there has been some considerable element of satisfaction in my management of the company's affairs, and I believe that you must be fully persuaded of the fact that it has always been my desire to promote the best interests of all of the stockholders of the company. You must realize also that I feel in the present situation of the business that the operations of the company must be extended in order to make it a prosperous concern and that, without enumerating all the other considerations and reasons for same in detail at this time, it is desirable that some clearer understanding for the future be had.

For the purpose as above stated I will ask you, therefore, to give some consideration in advance of the proposed conversation to the two propositions which follow:

I will repurchase all the stock of the Atlantic Fruit Co. which you bought from me in May, 1905, the said stock to be redistributed to those from whom it was in part obtained at that time. Or, on May 1, 1910, let a stock dividend be declared on Atlantic Fruit Co. stock to the extent of all surplus on hand at that date; let the authorized capital stock of the company be increased to \$1,000,000. I will then transfer to the company all my Sagua de Tanamo, Nicaragua, and other interests, taking stock for same, and hold in my name a majority of outstanding stock of the Atlantic Fruit Co.

I trust that you will let me hear from you as early as may be convenient.

Yours, very truly,

JOSEPH DI GIORGIO.

It thus appeared from this letter that Di Giorgio had already acquired interests in banana properties, contrary to the spirit of his contract. Mr. Preston at once accepted the opportunity and agreed to sell back the 1,260 shares at their book value as shown at the end of the last fiscal year, September 30, 1909—i. e., for \$154,936.21, or \$122.96 per share.

After May, 1910, we know little of his proceedings. Within a few months and prior to September 30, 1910, the capital of the Atlantic Fruit Co. was increased from \$250,000 to \$1,000,000, and a stock dividend of 100 per cent was declared. (See Moody's Manual, 1911, p. 702.)

Later a prospectus was printed in New York (see Appendix, p. 36), announcing the formation of the "Atlantic Fruit & Steamship Co." with a capital of \$15,000,000 and a proposed issue of \$5,000,000 convertible gold bonds. It was stated that Di Giorgio had agreed to turn into the new company various properties, including the Atlantic Fruit Co., for \$7,500,000 in stock and \$1,175,625 in cash.

The various properties combined were the following:

Atlantic Fruit Co.: A property owning and trading company operating between the West Indies, Central America, and the principal cities of the United States and Canada.

Central American Growers & Transportation Co.: Owning large plantations and valuable Government concessionary contracts in Nicaragua, Central America.

Caya Acosta, Tanamo Agricola, Simon Fruit Co., J. Simon & Co., Cuba Fruit Co.: Owning or controlling and operating banana plantations and banana and sugar lands in Cuba.

Kurringwass Fruit Co.: Two thousand five hundred shares, being one-half the share capital. Owning banana plantations in Nicaragua, Central America.

Donald Steamship Co.: Owning a fleet of modern fruit steamships in commission. (Note.—This company did not go in.)

The assets (after deducting current indebtedness) are appraised at. \$8,843,489

The net profits for 1910 from part of these properties then producing were ----- 294,000

The net profits for 1911 will approximate ----- 450,000

It was stated that the combined concerns owned and controlled through stock ownership and lease 10,050 acres of lands cultivated in bananas and 159,350 acres uncultivated.

Di Giorgio stated in a letter quoted in the prospectus:

"I have no hesitation in stating that, with the use of a fair amount of capital at Nicaragua, we will occupy an impregnable position in the banana business, as we will exercise exclusive control over a large area of first-class banana land free from any outside interference."

The future profits were estimated as follows:

1911-----	\$472,000
1912-----	850,000
1913-----	1,180,000
1914-----	1,610,000

It is significant that the future business of the company and its profits were based solely upon the above properties, which did not include any in which the United Fruit Co. then or at any time before or since has had any interest, and were not based upon any proposed operations in Santa Marta or Costa Rica. The bananas in those places are under contract to the United Fruit Co. and, as explained later, the Atlantic Co. attempted to get them away from the United Co. It is to be observed that the success of the new company did not contemplate and was not predicated upon obtaining any supplies from either of the said places, and consequently any failure to achieve the profits estimated can not be ascribed to the failure of their operations in Santa Marta or Costa Rica.

The object of going into that detail, Judge, is because that is very important. When the Atlantic Fruit & Steamship Co. was formed, they had properties which they said were worth \$8,843,000, on which they based the profits of \$472,000 for 1911, running up to \$1,610,000 in 1914. Now, those properties were their own properties—their properties in Cuba, Nicaragua, and various other places that we had never had anything to do with at all.

The CHAIRMAN. You had an interest in them to the extent of your stock holdings, did you not?

Mr. PALMER. No. These were properties that were acquired by them after our control was sold. The point is this: In Santa Marta, Colombia, and Costa Rica the Atlantic Fruit & Steamship Co. tried to take bananas that were under contract to the United Fruit Co.;

in other words, tried to invade the United Fruit Co.'s own sources of supply. Some intimation has been made that the Atlantic Fruit Co. suffered because they were not able to do that. They did do it to a certain extent, but they did not carry out their plan of getting a very large plant there in Costa Rica or Santa Marta. What I wish you to bear in mind is this: That the success of the Atlantic Fruit & Steamship Co. was not predicated on getting any supplies from us. It was predicated on their own sources of supply and their properties which they owned and which we have never interfered with in any way at all. In 1911, when the Atlantic Fruit & Steamship Co. was formed, they made this statement showing the properties they owned and the business they proposed to conduct. About a year later they attempted to invade the territory of the United Fruit Co.—not only to invade their territory, but to take away the bananas that were under contract and very much disturb the business. They failed to do that. After that was all over another prospectus was issued in London last summer, in which they again reiterate that their business is founded on these properties which they own; that their profits are coming through those properties. The prospectus states:

In the first place it should be clearly understood that the Atlantic Fruit Co. has no intention of attempting to wrest from the United Fruit Co. any portion of their market by cutting prices or methods of a similar nature. Nor is the success of the Atlantic Co. by any means dependent on the curtailing of the operations of the other company. It is believed that there is ample scope for another fruit company doing business on a large scale without adversely affecting to any material extent the operations of companies at present in the field. The market in the United States is a large and rapidly expanding one, while the prospects of the European trade are practically unlimited. The ramifications of this company extend throughout the United States and Canada, and the company sells bananas in practically all places where fruit is sold by competing concerns. The cutting of prices would have to be general in order to be in any way effectual, and the consequences to the competing party would be serious. Furthermore, the proposed expenditures in development work and the arrangements for marketing of the company's products, together with strong financial backing, will place the Atlantic Co. in a position that should discourage any attempt at price cutting or other antagonistic methods by its competitors.

That was after they had failed to get their supplies from our sources. I wish the committee would bear that in mind, because the activities of the United Fruit Co., as far as the Atlantic Fruit Co. is concerned, has been absolutely and exclusively devoted to protecting their legal contracts in Santa Marta and Costa Rica, and to nothing else whatever. That idea is conveyed in the next paragraph. [Reading:]

We have no information as to whether or how far the consolidation took place, except that the Atlantic Fruit & Steamship Co. soon took over the business of the Atlantic Fruit Co. and has since carried it on in its own name. The property of the Donald Steamship Co. was not acquired.

We have no information as to the operations or profits of the Atlantic Fruit & Steamship Co., except as derived from a letter dated January 3, 1913, sent out by Joseph di Giorgio, president of the Atlantic Fruit & Steamship Co., to the shareholders of the said company. He stated that at a special meeting held 6th November, 1912, the shareholders had authorized a sale of the property and assets of the company, and that a new corporation called the "Atlantic Fruit Co." had been formed and had acquired the said property and assets. Di Giorgio gave the following explanation of the necessity for the reorganization:

"In conveying this information to you I think it my duty to say a word in reference to the affairs of the Atlantic Fruit & Steamship Co. The company was

organized under apparently favorable auspices, and under normal conditions we had every right to expect a full measure of success. Unfortunately we had difficulties of no ordinary character to contend with. Drought and unfavorable weather conditions seriously affected both the quantity and quality of the fruit handled by the company, resulting in heavy losses and consequently the diminution of working capital."

Since the date of this circular the new Atlantic Fruit Co. has taken over the business of the Atlantic Fruit & Steamship Co. and is now conducting the same.

The purpose of that part of this statement is to show why the control was given up. Now, I desire to go on and explain what occurred—

Mr. HARDY. Let me interrupt you there and ask what became of that proposition to sell your 1,260 shares for \$150,000?

Mr. PALMER. We sold it to Di Giorgio.

Mr. HARDY. And he paid cash?

Mr. PALMER. Paid in cash. He paid most of the cash at that time, shortly after the sale, and the rest in September or a few months afterwards.

Mr. HARDY. How long had you owned that stock?

Mr. PALMER. Five years—from May, 1905, to May, 1910.

Mr. HARDY. You gave \$40,000 for it?

Mr. PALMER. We gave \$40,000 for it.

Mr. BURKE. And you sold it for \$150,000?

Mr. PALMER. We bought it at a price of about \$31.75 a share and sold it for \$122.96 per share, both prices based on the book value of the company as shown by its statements.

Mr. HARDY. Was the \$40,000 the book value at the time you bought it?

Mr. PALMER. That was the book value at the time we bought it, according to Mr. di Giorgio's statement, but when we came to analyze his accounts we found that stock instead of being worth \$31.75 was not worth anything—

Mr. HARDY. I say, both those amounts were according to his statement of the book value?

Mr. PALMER. Yes. Now, I do not charge Mr. di Giorgio with having created a false impression as to the book value of the stock at the time he sold it to us. His books and his method of accounting were not such that he might have known exactly where he stood. It is quite a difficult thing to keep banana books and records and know exactly where you stand all the time. The United Fruit Co. had developed an accurate system, and when its books were analyzed it showed that there had been a greater shrinkage of his capital than he himself at that time thought.

Mr. HARDY. In other words, your books showed no value, whereas his gave \$31.75?

Mr. PALMER. Yes, sir.

Mr. HARDY. And did your books show this was worth \$122 when you sold it?

Mr. PALMER. Yes.

Mr. HARDY. Do you think that was accurate?

Mr. PALMER. Yes; because the auditor of the United Fruit Co. went to Baltimore, where the company was, and investigated the books, and then installed the system of bookkeeping which the United

Fruit Co. had, and that system of bookkeeping has been kept ever since.

The CHAIRMAN. That is, during the five years?

Mr. PALMER. That is, during the five years; and I assume it has been since then. There is not any reason why they should change, because it is a very highly developed and scientific way of keeping books for this particular business.

Mr. HARDY. Outside of the fact that the figures showed this, have you any knowledge of what the assets of the company were at the time you sold out?

Mr. PALMER. I have no personal knowledge; no.

Mr. HARDY. I understand you owned about half of this stock, or a little over half?

Mr. PALMER. Fifty-five per cent; yes.

Mr. HARDY. So the total value would have been about \$350,000 for the whole stock?

Mr. PALMER. Oh, more than that.

Mr. HARDY. You had over half, and if this was worth \$150,000—

Mr. PALMER. That is correct. The authorized capital then was \$250,000, and we sold the stock at a premium of \$22, so that the book value would be over \$300,000.

Mr. HARDY. That was the Atlantic Fruit Co.?

Mr. PALMER. The Atlantic Fruit Co.; yes.

Mr. HARDY. Which was organized just before you bought in?

Mr. PALMER. Yes.

Mr. HARDY. That was the evolution from what company?

Mr. PALMER. That was the evolution of several previous companies. I never knew before what it was the evolution of until Mr. di Giorgio explained it in his statement. He said it was the consolidation of the Di Giorgio Importing & Steamship Co.; the Italian-American Fruit & Importing Co.; the Di Giorgio Importing & Steamship Co. of Baltimore; the Cupeo Trading Co., of New York; and the Fruit Importing Co. of Philadelphia.

Mr. HARDY. That was consolidated into the Atlantic Fruit Co. when you bought in?

Mr. PALMER. That consolidation was made prior to January, 1905.

Mr. HARDY. The Atlantic Fruit Co. was \$250,000?

Mr. PALMER. It was \$250,000 in May, 1905. Within a short time after that the capital was increased to a million dollars, and a 100 per cent stock dividend was declared so that at the end of the fiscal year, September 30, 1905, the capital of the Atlantic Fruit Co. was \$1,000,000 authorized, of which \$500,000 had been issued. That appears in one of the Moody's manuals.

Mr. HARDY. You had 55 per cent of that total issued stock?

Mr. PALMER. No; we had sold out our 55 per cent in May, 1910.

Mr. HARDY. But the increase was in 1906?

Mr. PALMER. No; the increase was in September, 1910, several months after we had sold out.

Mr. HARDY. That is, to \$1,000,000?

Mr. PALMER. Yes.

Mr. HARDY. There was no increase up to the time you sold out?

Mr. PALMER. No; there was no change in the capitalization of the Atlantic Fruit Co. during the time we held any ownership of stock.

Mr. HARDY. When this was changed to the Atlantic Fruit & Steamship Co., was that when you sold out?

Mr. PALMER. No; the Atlantic Fruit & Steamship Co. was formed after we sold out.

Mr. HARDY. It was formed after this increase of stock?

Mr. PALMER. After the increase of stock to \$1,000,000, yes.

Mr. HARDY. Then I understand that in 1912 the Atlantic Fruit & Steamship Co.—

Mr. PALMER. The Atlantic Fruit & Steamship Co. must have been formed in 1911.

Mr. HARDY. Then in 1912, after you had ceased to have any connection with it, the Atlantic Fruit & Steamship Co. was reorganized?

Mr. PALMER. With a capital of \$15,000,000.

Mr. HARDY. What was it called then?

Mr. PALMER. The Atlantic Fruit & Steamship Co., and that Atlantic Fruit & Steamship Co. bought the property of the Atlantic Fruit Co. with its capital of \$1,000,000, and bought several properties, especially in Cuba and Nicaragua, which are mentioned in this statement.

Mr. HARDY. Is that the last change which has been made?

Mr. PALMER. No. In 1913 the Atlantic Fruit & Steamship Co. sold its properties and assets to a new company called the Atlantic Fruit Co. organized under the laws of Delaware.

Mr. HARDY. In 1913?

Mr. PALMER. 1913.

Mr. HARDY. What is the capital of that?

Mr. PALMER. I think it is \$5,000,000 common stock, \$2,500,000 preferred stock, and \$1,500,000 debentures.

Mr. HARDY. Then that decreases the stock—

Mr. PALMER. There is a shrinkage of the stock of the Atlantic Fruit & Steamship Co. Here is a statement in this London prospectus, on page 46 of my brief:

It will be observed that the assets of the old company will be revalued at \$3,457,367.21, while \$1,275,000 will be derived from the issue of \$1,500,000 debentures of the new company.

There was a revaluation of the properties of the company there and a consequent lessening of the amount of stock outstanding.

Mr. HARDY. Go ahead with your statement.

Mr. PALMER. In Mr. di Giorgio's statement he mentioned having acquired or having endeavored to acquire certain properties in Santa Marta. Now, Santa Marta is an extremely important place, and I desire to explain to this committee what the rights and properties of the United Fruit Co. were in Santa Marta and just what Mr. Di Giorgio endeavored to do down there [reading]:

It subsequently appeared that Di Giorgio had been planning to get away some of the bananas grown in Santa Marta and Costa Rica which were contracted to the United Fruit Co. It appears that Di Giorgio had this plan in mind as early as March, 1910, when he sent Mr. Charles W. Sinners to Santa Marta to investigate the situation there. Mr. Sinners returned and reported that all planters then engaged in growing bananas in the Santa Marta district were under contract to the United Fruit Co. to deliver to it their entire production of exportable bananas, which contracts then had 9 or 10 years longer to run. Nevertheless, in 1912 Di Giorgio entered into schemes to break the contracts of the United Fruit Co. and to get the bananas for his company. This he succeeded in doing, and in May, 1912, and every week since the Atlantic Fruit & Steamship

Co. has been taking from Santa Marta bananas legally contracted to the United Fruit Co., in open and wanton violation of the rights of the latter company.

In order to understand this situation a short explanation of the history of the banana business in Santa Marta is necessary.

SANTA MARTA.

Santa Marta is a small city and port in the department of Magdalena, Colombia. It lies on the Caribbean Sea, and its harbor, though small, is one of the best on the coast, as no river flows into it to fill the anchorage with silt. Prior to 1899 the city had between 5,000 and 6,000 inhabitants, with a small railroad owned by an English company running 25 miles inland. Mr. M. C. Keith was attracted to this point as a possible banana-producing place, on account of the facilities offered by the harbor and railway. Investigation revealed banana lands in the interior, and he introduced in a small way the cultivation of bananas there. The United Co. succeeded to Mr. Keith's business in 1899.

The rainfall at Santa Marta, however, is not sufficient to produce bananas under natural conditions, and therefore resort was had to methods of irrigation. At the present time Santa Marta is the only place where bananas are grown under irrigation. It was soon found that irrigated bananas are different from others. They are superior in some ways, but they can not be carried safely on long ocean voyages without artificial means of regulating the temperature. To overcome this obstacle, as well as for general use in its business, the United Co. endeavored to find apparatus to refrigerate and control the temperature of the holds of vessels. The idea was entirely novel, and required years of experiment before an equipment of commercial use was perfected. The experiments began in 1901. The first installation was one using the gas preservatives of Lawton's Patent (Ltd.). A trial voyage was made from Jamaica to London, but met with most lamentable disaster. An explosion occurred in mid-ocean, the inventor of the process was killed, and the vessel nearly wrecked.

Nevertheless the United Co. found another and safer process, and continued its experiments at great expense and with great patience, until at last they were rewarded with success, and arrangements were made to install the new refrigerating apparatus on several steamers. Among the first vessels equipped were the *Sibiria*, in 1903, and *Sarnia*, in 1904, belonging to the Hamburg-American Line, which were fitted out at the cost of the United Co. and devoted to the Santa Marta trade. Later the *Prinz Joachim* and *Prinz August Wilhelm*, also belonging to the Hamburg-American Line, were equipped at the cost of the United Co. and the latter company has also built and equipped many additional vessels.

The problem of carrying irrigated bananas having been solved great impetus was given to growing bananas in Santa Marta. The business there began in a very small way and solely under the encouragement and largely at the expense of the United Co. The latter made contracts with the planters to take their bananas and lent them money to plant their estates. After several years it was found that the irrigated bananas could be produced successfully in larger quantities, and the possibilities of the business greatly attracted the land owners, merchants, and the Government as well. Various inducements were offered the United Co. to extend the business, which on its part it was willing to do. But the planters insisted that the company should bind itself to take all the bananas they could produce for a long term of years. Such an obligation was the only security they could have for incurring the expense of creating the plantations and producing a product which had no local outlet or sale.

On its part the United Co. was willing to assist the local planters and agree to buy their bananas, provided that it would be secured in obtaining them when grown. A great development was foreseen. The company was obliged, among other things, to furnish the necessary steamship lines.

The obligations of the company, in view of the great production intended, were serious and contemplated the investment of large sums. To protect its investments and the business created by it, the company necessarily required the planters to deliver their fruit for a sufficiently long period of time to justify and recompense the necessary expenditures and the obligations undertaken. The planters organized into an association, appointed representatives to negotiate with the United Co., and finally the two parties agreed upon a form of contract which was to be uniform for all.

In 1907 a new form of contract, embodying some new details, was adopted, and in 1909 additional amendments were made. The contracts were executed

in the most formal manner, were registered as deeds are registered, in order to give them the greatest legal effect as well as publicity, and until May, 1912, were faithfully observed by all parties.

Under the above arrangements the banana industry in Santa Marta increased and thrived enormously. From an insignificant beginning of 317,903 bunches produced in 1900, the production increased to 5,720,197 bunches in the year ending September 30, 1911. The United Fruit Co. itself produced only 840,507 bunches of this amount.

In fulfilling its obligations the United Fruit Co. introduced lines of steamers that cost it and its associate company (Elders & Fyffes, of England) over \$5,000,000, and comprised 12 steamships, having a gross tonnage of 51,458 tons.

Mr. HARDY. You mean that fleet of ships was used in that Santa Marta trade?

Mr. PALMER. Not in that trade exclusively; no, sir. That sum of \$5,000,000 does not represent the total cost of our fleet, but that is our idea of the proportionate cost of our fleet which is applicable to the Santa Marta trade.

Mr. HARDY. So that you do mean to convey the idea that there was that much of your fleet engaged in that trade?

Mr. PALMER. Yes; we mean to convey the idea that the proportion of cost of the United Fruit Co.'s and Elder's and Fyffes' steamers applicable to the Santa Marta trade was \$5,000,000. [Reading:]

It spent large sums in building railways, supplying cars and various equipment, and created a large and expensive organization, all of which were necessary to enable it to accept and transport the bananas which it had agreed to buy. These things it did relying solely upon its contracts, because without them its expenditures and investments would not have been justified.

Santa Marta and the department of Magdalena and the Republic of Colombia have prospered enormously as a result of this new, original, and highly profitable enterprise, created and fostered solely by the United Fruit Co. The company not only carried out all obligations on its part, but helped the planters to carry out theirs. It loaned large sums of money to the planters from time to time, and provided them with the means without which they could not have received the benefits and profits of this new business. It created great values for lands which before were worthless. It converted a great locality, which had been without resource or profitable industry, into a productive, enterprising community, with great resources and opportunities. The policy of the company was very liberal, and sought to give the citizens of the vicinity a full interest and share in the new business. If the company had pursued a more selfish policy, it would have declined to advance money to the landowners, thus forcing them to sell their lands to it, and kept for itself the profits of growing as well as of selling the bananas.

Under this liberal policy the business proceeded and developed with entire satisfaction to all. Such was the situation at the beginning of 1912, and the investments and business of the company, based upon the contracts which had been executed with great formality and scrupulously carried out by all parties in perfect good faith for many years, and which still had seven or eight years more to run, seemed secure. The events which shortly transpired were astounding, alike in their totally unforeseen character as well as in their calamitous effects. Schemes were being planned, of the most diabolical and unscrupulous character, by which, through a strange coincidence of circumstances and entirely without any fault, oversight, or neglect of the United Fruit Co., its great interests in Santa Marta for which it had paid so much, and which wholly belonged to it by every standard of morality and justice, were threatened with destruction.

Mr. HARDY. Were your prices agreed on in this contract?

Mr. PALMER. Yes, sir.

Mr. HARDY. There was no arbitrary fixing of prices by your company?

Mr. PALMER. Not at all. The prices in Santa Marta were high prices, and they had been adjusted from time to time and increased

voluntarily by the United Fruit Co. That was one of the bases of the formation of an association by the planters in order to bargain with the United Fruit Co. and get better arrangements and higher prices.

Mr. HARDY. Were these prices fixed from year to year or for the whole period of your contract?

Mr. PALMER. Well, the present existing contracts were made in 1907, and the prices then made were higher than the previous contracts and were fixed for a period of five years, with an option on the part of the United Fruit Co. to extend the same contracts for another period, so that the prices fixed in 1907 were to extend for a period of 10 years.

Mr. HARDY. At the option of the company?

Mr. PALMER. The company had the option to end the contracts at the end of five years or extend them for a further period of five years.

Mr. HARDY. Have you a copy of that contract in your statement?

Mr. PALMER. No; I have a copy of the contracts here, and I can furnish it.

Mr. HARDY. The reason I asked that is that the pipe-line companies, for instance, in my territory make a contract to take the production of the field at market prices, but the market price is what they post at their window every morning. They change it as they see fit.

Mr. PALMER. That is not the case here. We pay in Santa Marta under our contracts 40 cents a bunch for what are called "first bunches."

Mr. HARDY. And it is specified in the contract?

Mr. PALMER. Yes; there is a specified schedule of prices.

Mr. HARDY. You simply had an option to extend the same prices at the expiration of your first five years.

The CHAIRMAN. The option, I suppose, is mutual?

Mr. PALMER. No; it is the option of the United Fruit Co. alone.

Mr. HARDY. When did that first five years expire?

Mr. PALMER. It has not expired yet. Some of the contracts expire in 1914 and some in 1915. [Reading:]

Di Giorgio and others conceived the plan of breaking the contracts of the United Co., of securing for his company the bananas legally contracted to the former, and of destroying the rights and property of the United Co. without any regard to any principles of right or law. He endeavored to do this in several ways. One was to persuade planters that the contracts with the United Co. were not legal, and by offering a higher price for the bananas he succeeded in obtaining many of them. Ever since May, 1912, his company has been taking from Santa Marta many thousand bunches legally contracted to the United Co. The idea upon which he claimed that the contracts were invalid is as lacking in legal foundation as it is in morality and justice, but the delays of the law are such that the United Co., patient in its trials and determined to secure its rights by resort to judicial determination alone, has not yet been able to obtain the decision which must eventually be rendered in its favor.

Another and even more serious scheme was to break the contracts through transfers of the estates. The plan is explained at length in the affidavit of Charles W. Sinners, Esq., sent by Di Giorgio to Santa Marta to carry it into effect. (See Appendix, p. 30.) But Mr. Sinners, when he came to understand what he was expected to do, declined to be a party to such a nefarious project. The scheme is briefly explained as follows:

The uniform form of contract, adopted by the association of planters on one side and the United Co. on the other, executed by more than 300 planters, and duly registered in the real estate records as deeds are registered, contained the following provision:

"ART. 4. The planter agrees that in the case of sale or lease of his plantation the buyer or lessee shall be bound in his turn to comply with the present contract in all its parts. To this end the sellers or lessors shall cause to be inserted in their contracts entered into by them, which contracts shall be public documents and of which legal copies shall be furnished to the company, the following clause: 'The purchaser (or lessee) declares that he accepts in all its parts those contracts which the seller (or lessor) has made with the United Fruit Co. respecting the sale of the bananas that this plantation produces or may produce, the said purchaser (or lessee), by virtue of this clause, being substituted for the seller (or lessor) in all his rights and all his obligations arising from the said contract.'"

The legal theory was advanced that failure to comply with this provision would result in a claim for damages against the seller, but that the buyer would be freed from the contract. It was therefore arranged that the planter, who had signed the contract, should transfer his estate by a deed, inserting the required clause, but to a straw man, and that the latter should transfer the estate by deed without inserting the clause to Di Giorgio. The effect intended was to relegate the United Co. to a claim for damages against the straw man, a person without means and who would quickly disappear, leaving the estate in the hands of Di Giorgio free from the contract.

Following this plan, Di Giorgio obtained the transfers of 12 of the most valuable estates in Santa Marta. They contained a cultivated area of 3,186.2 acres and a total area of 4,286.16 acres, from which he estimated the production at 3,072,000 bunches a year. The transfers were actually made and registered, and Di Giorgio came into possession of the estates; but he had not paid for them and evidently had no intention of doing so. His agent in Santa Marta had given him drafts in payment, and when the drafts were presented in New York they were not paid.

The owners of the estates sent their representatives to New York and they found themselves in the most serious predicament. Di Giorgio had possession of the estates and was taking away the bananas without payment. To get back the estates the owners would have to resort to legal proceedings in Colombia, and with the law's delays in that country they knew that years would elapse before they could regain possession. In the mean time all the bananas, worth on Di Giorgio's own figures \$750,720 a year, would go to him. They suddenly appreciated the astounding result of their foolish action but they were helpless and in the absolute control of a man whom they had come to regard as untrustworthy and unscrupulous.

After drafts had been protested and remained unpaid, and the planters were convinced that the drafts would not be paid, the planters sought another purchaser. First requesting an intermediary to secure an audience, they came in person to Boston to apply to the United Co. for assistance. After full investigation of the circumstances, and after being assured and satisfying themselves that no rights of anyone else were being transgressed, the United Co. agreed to purchase the same estates at the same prices, upon delivery of satisfactory titles. Can anyone criticize such action? Certainly the officers of the United Co. would have been most derelict in the performance of their duties if they had failed to protect their company and its stockholders from the stupendous calamity that was threatened. Nevertheless, their action was taken with the most scrupulous regard for the rights of the Atlantic Co., and neither directly nor indirectly, then or at any time before or since, have they ever done or suggested anything derogatory to the interests of the Atlantic Co.

A copy of one of the agreements of purchase is found in the appendix, page 34. The planters returned to New York and finally persuaded Di Giorgio to return their properties.

As a result, the United Co. has become the owner of estates at very high prices which it did not wish to buy, it has had to abandon its policy of community interest on which the banana industry in Santa Marta was developed, and still suffers the wrong of having many thousand bunches of its contracted bananas taken every week by the Atlantic Co. As an example of the patient forbearance of the United Co. under most aggravating conditions, it is to be noted that all the said bananas have to be transported for many miles over railways built and owned exclusively by the United Co. on its own lands, which are not subject in any way to the public service. The United Co. relies solely upon the relief to be gained through judicial determination of the courts

which eventually and surely will right the wrongs, though the losses can never be made good.

The Santa Marta episode has undoubtedly cost the Atlantic Co. dearly, it has destroyed the confidence of his associates in Di Giorgio, and must have injured both his company and himself in many ways.

COSTA RICA.

Concurrently with his operations in Santa Marta, Di Giorgio attempted similar operations in Costa Rica. There also bananas were contracted to the United Co., which, with its predecessors in title, had originated, developed, and encouraged the business. To-day banana growing is an enormous industry in Costa Rica, and by far the principal one. The United Co. has spent many millions of dollars there, not only in making its own plantations, but in building railways, docks, the port and municipality of Port Limon, sanitation works, hospitals, telephone lines, and very many works of all kinds. The industry has revolutionized the entire Republic, and the income derived directly from the export tax on bananas (voluntarily offered by the United Co.) and indirectly from the import duties on increased merchandise, have made the Republic solvent and flourishing. Costa Rica to-day is a thriving, busy, progressive community, and its advance is due very largely to the banana business of the United Fruit Co.

To the United Co. Costa Rica is its most important tropical interest, and its enormous investment there, as well as its entire business, is dependent upon the supply of bananas, and consequently to a large extent upon its banana contracts.

The Atlantic Co. through its representative, a former manager of the United Co., attempted in various ways to obtain the bananas which were contracted to the United Co., although there was a considerable quantity of uncontracted bananas open to its purchase. But in Costa Rica property rights are uniformly respected, and the Atlantic Co. could only obtain contracted bananas by resorting to devious and hidden methods. It went so far, however, as to announce openly that it would accept and purchase (at higher than contract prices) all bananas offered, without inquiring whence they came. This induced irresponsible persons to obtain surreptitiously bananas both from conniving contracted planters, as well as by theft from the plantations of the United Co. Such open and shameless disregard of right, with the manifest provocation to disturbances of the peace, instantly excited public condemnation, and the Government appointed a commission to investigate. The investigation commenced on the 5th of July, 1912, and, while the United Co. aided it by the fullest information and assistance in every way, the Atlantic Co. failed to answer the commission's questions or to furnish it with the information concerning its activities which the commission requested. Finally, while the investigation was proceeding and before it was finished, the Atlantic Co. announced that it would not be possible for it to continue. The commission reported setting forth the above facts and commending the United Co. in every particular.

As an incidental result of the investigation it was brought out that a large number of planters did not enjoy the benefits of having contracts with the United Co. The president of the Republic personally requested the manager of the United Co. to grant contracts with all the planters, and the manager agreed to do so.

Meanwhile Di Giorgio had sought to acquire the Costa Rican plantations of Lindo Bros.

LINDO BROS.

Cecil Verner Lindo, formerly an employee of Minor C. Keith, was encouraged by the latter to commence planting bananas in Costa Rica. He was industrious and enterprising and eventually acquired and planted large plantations of bananas there. The United Fruit Co. encouraged him in every way, since it has always been the policy of the company to encourage and develop local interest in raising bananas in the tropical countries.

In developing their banana plantations Lindo Bros. incurred large financial obligations and from time to time applied to the United Fruit Co. for assistance. In 1910 the United Fruit Co. loaned Lindo Bros. \$1,000,000.

In 1911 Di Giorgio approached Lindo Bros. with the idea of purchasing their plantations, although the bananas were all contracted to the United Co. until July, 1914. The United Fruit Co. was not aware that Lindo Bros. desired to sell.

Di Giorgio approached Cecil Lindo and opened negotiations to purchase the properties of the firm and certain other properties of other planters for \$3,500,000. The consideration was to be partly in cash and partly in securities, but Lindo was assured that the total value of the consideration offered was equivalent to at least \$3,500,000 in cash, as it was understood that the said amount was the minimum price.

On October 27, 1911, Cecil Verner Lindo, without authority from his partner, Augustus A. Lindo, gave the Atlantic Fruit & Steamship Co. a written option until August, 1912, to purchase the properties for the said sum. When Augustus A. Lindo learned that the option had been given he was very much opposed. He claimed that he was not bound, but nevertheless, since his brother had committed himself, he intended to abide by his brother's act. It was obvious also that the document signed by Cecil Lindo was merely an option, given without any payment, promise, or other consideration, and could have been revoked at any moment. Still both Messrs. Lindo decided that, since Cecil Lindo had signed such an instrument, their honor required them to give Di Giorgio the full opportunity offered, although well understanding that there was no legal obligation.

The consideration to be paid for the properties was as follows:

(a) \$400,000 first mortgage convertible 6 per cent gold bonds of the Atlantic Fruit & Steamship Co.

(b) \$1,500,000 in common stock of said company.

(c) \$1,600,000 in cash.

(d) All moneys spent by Lindo Bros. after October 1, 1911, in new cultivations or other capital expenditures not fairly chargeable to working account for ordinary running expenses.

The amount of the mortgages, upward of \$600,000, was to be retained out of the cash.

Cecil Lindo was to be the manager of the Atlantic Fruit & Steamship Co. in Costa Rica, and to manage all the properties acquired from Lindo Bros. and all other properties and business which the Atlantic Co. should acquire there.

Lindo Bros. guaranteed that the properties covered by the option had earned during the preceding six years an average annual net profit of not less than \$300,000.

At the time this option was signed, the capitalization of the Atlantic Co. was as follows:

\$15,000,000 par value of common stock, of which \$7,500,000 was issued, \$5,000,000 reserved for conversion of bonds, and \$2,500,000 to be issued at par for cash or property.

The company had authorized \$5,000,000 first mortgage 6 per cent convertible gold bonds, of which \$2,500,000 had been issued, the remainder being reserved for the purchase of additional property under strict restrictions.

The \$1,500,000 stock to be paid for the Lindo properties would have increased the amount total issued to \$9,000,000.

Mr. Lindo calculated that as the income from his properties alone was sufficient to pay the interest on the bonds issued, to wit, \$150,000, twice over, the stock had a real value. The estimated income of the Atlantic Co. for 1912, \$750,000 (without including the Donald Steamship Co.), which added to the earnings from his properties of over \$300,000 at least, left, after deducting bond interest, \$900,000, or 10 per cent on the stock for the first year. Lindo had reason to believe Di Giorgio's protestation that the stock would be worth par, with prospects of a greater value in future, and that the consideration proposed was of a cash value of at least \$3,500,000.

Di Giorgio sent accountants and appraisers to Costa Rica in December, who verified Mr. Lindo's statements and rendered a highly favorable report. Thereupon Mr. Lindo, in Costa Rica, in anticipation of the authority to be vested in him as the general manager of the company in Costa Rica, and relying upon the provision for repayment in the option agreement, bought additional banana plantations, and agreed to pay therefor \$1,120,000 in cash. On January 29, 1912, Mr. Lindo left Costa Rica for New York, and at once advised Di Giorgio of the purchases, and requested that the company take them over and pay the purchase price. Di Giorgio answered that it was impossible for the company to consider a new investment of over a million dollars, especially since the company had not been able to raise the funds necessary to comply with the option.

Mr. Lindo remained in New York until March 7, and exerted his efforts and influence to assist in raising the necessary funds. On March 7 he sailed for Europe on other important business. On March 21 Di Giorgio sent Mr. Lindo

a cable of 145 words, in which he stated that the bankers demanded a change in the option, and requested Mr. Lindo to accept it by cable. The proposed changes were so radical and so unfavorable to Mr. Lindo that he declined to consider them. He returned to New York on the 25th of April, expecting to close the agreement. Instead of doing so, however, Di Giorgio presented him with a new form of option upon wholly different terms, running to Di Giorgio personally. At the same time Di Giorgio delivered a letter from the Atlantic Co. accompanying the new option and advising that this one canceled the former.

The conditions of the new option were unacceptable, because it was proposed that Lindo Bros. should accept common stock which was to be subject to an enormous issue of preferred stock, as well as inflated by the exorbitant issue of \$5,400,000 of stock for bankers' commissions.

Mr. Lindo found himself in a most embarrassing and difficult dilemma. The title to his own lands was encumbered by the option agreement which, it was clear, would not be exercised. The other lands had not yet been paid for, and he was soon to be called upon to raise \$1,020,000 in cash. Meanwhile the stock of the Atlantic Fruit Co., of par value of \$100 per share, had fallen in the market to about \$5 per share, and was undoubtedly worthless. On the value at that time the consideration which he might have received for his valuable properties was certainly not over \$2,000,000. Mr. Lindo had other large financial commitments and other large enterprises requiring money. To keep his credit good was essential, and he was obliged by financial necessities and considerations to find some way of borrowing money. His own lands also were covered by the first mortgage to the United Fruit Co., but the title to the new lands would be free when paid for. He therefore thought that by combining the titles of all into one ownership there would be sufficient value to support new loans if he could create a bankable security. The only practicable way to accomplish this was through the means of a corporation, which could issue mortgage bonds secured by a trust deed to a trust company in customary form. Mr. Lindo decided to follow this course. He therefore organized a corporation and agreed to convey the lands to it, but subject to the option and rights of the Atlantic Fruit Co. Immediately he informed Di Giorgio, but explained that the rights of the Atlantic Co. were carefully preserved and protected. Di Giorgio informed him that such action was against the interest of the Atlantic Co., since the public would think that they had not been able to exercise the option, and he proposed to publish everywhere that the Lindos had been the ones to repudiate their agreement. This Di Giorgio did, and in pursuance of the same tactics Di Giorgio instituted two lawsuits against Lindo Bros., one in New York and one in Costa Rica, in both of which it was stated that the Atlantic Co. determined to exercise the option. Lindo Bros. answered that the appropriate way to exercise the option was to pay the consideration, and called upon the Atlantic Co. to do so. The court in Costa Rica decided the same thing.

The Atlantic Fruit Co. would not or could not pay the consideration, and finally a compromise was effected between Lindo Bros. and the representatives of the Atlantic Co. in Costa Rica, and all claims of the Atlantic Co. against Lindo Bros., or having to do with the lands covered by the option agreement, were voluntarily released and canceled.

The foregoing facts respecting the transactions between Messrs. Lindo and Di Giorgio are drawn from a statement published by Mr. Cecil Lindo in Costa Rica.

The United Fruit Co. was not concerned in these transactions. All the plantations covered by the option were under contract to deliver their bananas to the United Co. until July, 1914, and it is surmised that the fact that no way could be found of breaking these contracts was a substantial reason why Di Giorgio decided not to take them over. Possibly his associates had not been informed of the existence of the contracts, or else had been led to believe that they could be released through the same process as was attempted in Santa Marta.

Now, if you will be patient for three minutes more I should like to explain to you the exact relations between the United Fruit Co. and the Hamburg-American Line. Mr. di Giorgio and Mr. Sickles both intimated that the United Fruit Co. had used its influence or made some suggestion looking to getting the Hamburg-American to break its contract with the United Fruit Co. That was absolutely

not true. Mr. di Giorgio knows nothing about it, and he attempted only to give a hearsay statement. The best way for me to convince this committee of the absolute lack of foundation for that statement is by going back a little and showing you the relations that existed between the United Fruit Co. and the Hamburg-American Line, exactly what their relations were and what they are at the present moment. [Reading:]

HAMBURG-AMERICAN LINE.

In 1899, when the United Fruit Co. was formed, Mr. Minor C. Keith, one of its organizers, had a contract with the Atlas Line, so called, under which the Atlas Line employed various boats in carrying bananas into New York. This contract was taken over and continued by the United Fruit Co. Later the Hamburg-American Line purchased the Atlas Line.

Originally the United Fruit Co. owned no boats. Its bananas were transported on chartered boats and by the Atlas Line. It became necessary, however, to build boats especially designed for the banana trade, and the United Co. proceeded to build many large ocean steamers. In the mean time, ocean transportation in the Caribbean waters enormously increased, due very largely to the business of the United Co., and in 1911 the latter company found itself with a large fleet of ocean steamers equipped for ocean transportation and confined to the Caribbean waters. A revision of the agreements with the Atlas Line became necessary, and long and serious negotiations extending over many months ensued between the officers of the two companies.

The United Co. desired to extend the banana trade into Germany and other European countries and sought the Hamburg-American Co. to be associated with it in that enterprise. The United Co. was willing to continue to give the Hamburg-American Co. the carriage of the same quantities of bananas to the United States as were then being carried by the Atlas Line, but was unwilling to agree to increase the amounts, as this would have deprived its own ships of freight. The Hamburg-American Co. claimed that the Atlas Line vessels were old and small and should be replaced eventually by newer and larger vessels. Here there was a direct conflict of interest, and there seemed no way of adjusting it except through the sale of the Atlas Line to the United Co. In order to solve the difficulty and enable an arrangement to be made for the European business, which promised to be extensive and seemed of much greater importance to the Hamburg-American Co. than the Atlas Line's business, the president of the United Co. offered as a last resort to purchase the Atlas Line. But this suggestion was not acceptable to the Hamburg-American Co. and, as no other satisfactory solution was found, the existing agreements came to an end on December 31, 1911.

Nevertheless, the officers of the United Co. always cherished the hope that negotiations for the European business would some time be reopened.

In the spring of 1912 an opportunity to reopen such negotiations was brought about through the medium of disinterested third parties, and representatives of the United Co. met representatives of the Hamburg-American Co. in New York for an informal discussion. The whole history of the relations between the two companies, which had been intimately associated together in the banana business without interruption for over 12 years, was thoroughly discussed. It seemed that some misunderstanding existed. The German company did not appreciate that the United Co. was principally interested in developing the European banana trade, and desired to do so on a large scale. The fundamental proposition was that the United Co. should furnish the bananas, the German company should furnish the ocean steamers for transportation, and both should unite and cooperate in introducing and extending the business in Europe. In order to assure the German company of its sincerity, the representatives of the United Co. submitted the following definite suggestion, to be transmitted by cable to Hamburg, to wit:

" Memorandum.

"The United Fruit Co. will agree to join the Hamburg-American Line in introducing and developing on a large scale the banana trade into Germany and northern Europe, except Great Britain. Except as to three steamers, as stated below, the United Fruit Co. will agree to transport for long term, say 10 years,

with the option of renewal by Hamburg-American for further 10 years, upon 2 years' notice, all bananas destined for said countries, in vessels of Hamburg-American Line, at fair rates, and upon other reasonable details to be agreed.

"The Hamburg-American Line will be free to transport bananas for same countries received from other producers.

"All bananas owned or controlled carried by either party destined for said countries shall be sold through the agency of a distributing company, which shall be owned and financed one-half by each party, and which shall endeavor to develop banana business in most profitable manner throughout said countries. Both parties shall cooperate with influence and experience in making company successful. The company shall be governed by two managers, and the one having charge of the receipt, distribution, and sale of bananas shall be appointed by the United Fruit Co.

"The distributing company shall sell on commission for account of shippers, for not exceeding 10 per cent commission.

"The United Fruit Co. may use its three ships now under construction in the trade; all other tonnage shall be supplied by the Hamburg-American Co. The business shall start with a fixed service, which shall be increased under reasonable provisions by mutual consent as the trade develops. All ships shall be suitable in construction and equipment according to best standards."

That memorandum represents the desires of the United Fruit Co., some of which we hope to carry out. There is a tremendous field for the banana trade in northern Europe, and to take advantage of it requires a very large fleet of ocean steamers. The United Fruit Co. does not desire to increase its fleet; it now has as many steamers as it wants. It desires the help of the Hamburg-American Line to furnish the transportation, the Hamburg-American Line especially because they are the company that is so influential in the local markets. We have had that idea in mind, and the officers of the company have visited the officers of the Hamburg-American Line in Europe from time to time and this is still being considered, and I hope something will come of it. That was the suggestion which I drew up at that time and handed to the representative of the Hamburg-American Line.

Mr. HARDY. What is the date of that cable?

Mr. PALMER. That was in June, 1911.

The CHAIRMAN. Mr. di Giorgio said that the Hamburg-American Co. offered him \$150,000 to cancel that contract they had with the Hamburg-American Co.

Mr. PALMER. I am leading up to that, but I want to call attention to the fact that that suggestion was made in the spring of 1912—April, 1912, I think. [Reading:]

After the above memorandum had been transmitted, the representative of the German Co. requested a proposition to be made regarding the Atlas Line. It had transpired at the meetings that the German Co. had made some agreement with the Atlantic Fruit & Steamship Co. to carry bananas for it. The terms of the agreement were not disclosed to the United Co. nor known to it, but it was stated that the agreement had a term of years to run. The representatives of the United Co. were extremely reluctant to attempt to comply with the new request, but finally endeavored to do so by renewing the original offer to purchase the Atlas Line, but with the distinct provision that the rights of the Atlantic Co. should not be impaired or injured in any way. The suggestion which they finally made was as follows:

"Memorandum.

"Atlas Line.—The United Fruit Co. is willing to arrange for the purchase of the Atlas Line, so called, including the boats now engaged in the service, that are equipped with refrigeration and suitable for the transportation of bananas, and the good will. The price to be paid should include—

"(a) Reasonable price for the boats purchased, and (b) reasonable sum for the good will.

"In case the parties can not agree, the price should be determined by arbitration, it being understood that deduction from the purchase price of the boats is to be made for the refrigerating apparatus heretofore paid for by the United Fruit Co. The value of the good will should be based upon the volume and profits of the business. As an element of value of the good will, there should be the agreement on the part of the Hamburg-American Line not to engage in the service performed by the Atlas Line, such agreement to be legal according to the rules of law in force in the United States.

"We are informed that the Hamburg-American Line has a contract with the Atlantic Fruit & Steamship Co. As the latter is a competitor of the United Fruit Co., care must be exercised not to injure such competitor or invade its rights or transgress in any manner the letter or spirit of United States laws. So far as this consideration is involved, it should be understood that the approval of Senator Spooner, or of equally eminent counsel representing the Hamburg-American Co., shall be obtained.

"On account of legal requirements, the purchase of the Atlas Line must be made by some corporation foreign to the United States, depending upon the nationality of the ships purchased.

"*European business.*—The United Fruit Co. will join the Hamburg-American Line in developing the banana trade in Germany and in other countries of northern Europe. A suggestion has already been made to formulate the general principles for such an arrangement. Such suggestion is subject to reasonable modifications in the interest of both parties, as future negotiations may develop. The service may begin with a fortnightly and possibly a weekly sailing, depending upon the available supply of bananas. With mutual cooperation, the supply should be augmented to meet the requirements of the trade as it develops.

"In case these general principles are accepted, it is suggested that the detailed negotiations be undertaken in Europe, through the officers of Elders & Fyffes, who are especially acquainted with the requirements of the European trade.

"It is understood that both parties would cooperate to make the business of each successful, but without any agreements which in terms or in spirit would be regarded as repugnant to law."

The purpose of the final clause was to relieve the United Co. from the necessity of joining any of the steamship "conferences," so called.

There was no immediate result from these interviews. Later, however, in September, 1912, when the president of the United Co. made his annual trip to confer with the officers of the English branch of the United Co. in London, an interview was arranged with the chief officers of the Hamburg-American Co. in London. At this interview a full discussion occurred, the principles of the European trade seemed to be satisfactorily agreed to, but it was deemed undesirable to arrange for that without including some arrangement covering the Atlas Line. The German company again declined to consider a sale; and, as no way was apparent to make any other arrangement, the negotiations ended.

During the discussions it became evident that if the Atlas Line were free an arrangement could probably have been made for a contract whereby the Atlas Line could continue to carry bananas for the United Co. as formerly. But the Atlas Line was not free. With the desire to make it so, and thus enable the arrangements for the European business, with its enormous possibilities and importance, to be consummated, the Hamburg-American Co. offered the Atlantic Co. a large sum to cancel their contract. The offer was made entirely voluntarily by the Hamburg-American Co. and without any suggestion on the part of the United Fruit Co. or any of its officers. The offer was declined; and, as the Hamburg-American Co. adhered to its determination, the negotiations ended. It is hoped that they can be renewed when a favorable opportunity is presented.

Right on that line I have a short statement by Mr. Preston, specifically answering Mr. Sickel's statement, which I should like to read to you.

The CHAIRMAN. In this last clause you say—

During the discussions it became evident that if the Atlas Line was free an arrangement could probably have been made for a contract whereby the Atlas Line could continue to carry bananas for the United Co. as formerly.

Why was not the Atlas Line free?

Mr. PALMER. Because the Hamburg-American Co. made the contract with the Atlantic Fruit & Steamship Co. whereby the Atlantic Fruit & Steamship Co. had a right to the space on the Atlas Line for a term of years. I do not know what those arrangements are, because nobody has ever told me, except that Mr. Sickel once said that the agreement with the Atlantic Co. was similar to the agreement that formerly existed with the Atlantic Co., and which ended on December 31, 1911.

The CHAIRMAN. This space at that time was controlled by the Atlantic Fruit & Steamship Co. under contract with the Hamburg-American Co.?

Mr. PALMER. In August, 1911, as Mr. Sickel testified, he made a contract with the Atlantic Fruit & Steamship Co. whereby they would have the space on the Atlas Line after December 31, 1911.

The CHAIRMAN. For a term of years?

Mr. PALMER. For a term of years; and that the contract which was made at that time is the reason why the Atlas Line was not free in August, 1912.

The CHAIRMAN. And that was the difficulty in consummating the negotiations between your company and the Hamburg-American Co.?

Mr. PALMER. That is one of the reasons why we could not close the negotiations. Something had transpired which I know nothing personally about, but which appears in Mr. Preston's statement, and that is this: That the manager of the Hamburg-American Co. in New York had given Mr. di Giorgio, or the Atlantic Fruit & Steamship Co., some letter stating that their company would not make any arrangements with the United Fruit Co. I do not know what the scope of that was, but that appears more accurately stated in Mr. Preston's statement, and I would like to read that, if you please.

The CHAIRMAN. It was true, then, that the Hamburg-American Co. did offer the Atlantic Co. a large sum of money—

Mr. PALMER. \$150,000.

The CHAIRMAN. To cancel the contract?

Mr. PALMER. Yes.

The CHAIRMAN. I infer from what Mr. di Giorgio says that that was done at the instance of the United Fruit Co. so as to clear up the situation and get control of the space in the Atlas Line boats and facilitate the carrying out of this contemplated arrangement between the Hamburg-American Line and the United Fruit Co.

Mr. PALMER. That is not true.

The CHAIRMAN. I say, that is what I infer from his statement.

Mr. PALMER. The implication from what Mr. di Giorgio said is to that effect. It is to deny that implication that I have gone to this length. I wish to call your attention to the fact that Mr. di Giorgio's statement was purely hearsay. He knows nothing except what he understood from hearsay. He does not say that money was offered by the United Fruit Co. or that the United Fruit Co. had anything to do with it.

The CHAIRMAN. Of course, Mr. Preston was there, and representatives of the Hamburg-American Line, and he was there himself.

Mr. PALMER. He drew conclusions that were contrary to the facts.

The CHAIRMAN. He felt that if the Hamburg-American were induced to violate its contracts it would be ruinous to him, and he was made this offer, which he refused to accept.

Mr. PALMER. It would not be ruinous to him at all. It would help him to get rid of that contract.

The CHAIRMAN. Well, proceed. You say you have Mr. Preston's statement?

Mr. PALMER. Here is a statement from Mr. Preston on that same point. It is in the form of an affidavit, sworn to before a notary public, but I found there were two lines left out in copying, which I have written in in my handwriting, and therefore I desire to have it resworn.

(The statement referred to was marked "Exhibit No. 125" and was read by Mr. Palmer as follows:)

EXHIBIT No. 125.

UNITED STATES OF AMERICA,

Commonwealth of Massachusetts, City of Boston, ss:

Andrew W. Preston, being duly sworn, deposes and says:

I am the president of the United Fruit Co., and have been such since its organization. I have read the testimony of Mr. W. G. Sickel, vice director in charge of traffic of the Hamburg-American Line, and also that of Mr. Joseph di Giorgio, president of the Atlantic Fruit & Steamship Co., before the House Committee on Merchant Marine and Fisheries, relative to certain negotiations alleged to have taken place between representatives of the Hamburg-American Line and of the United Fruit Co., in London, in September, 1912.

Preliminarily I will state that in meeting the representatives of the Hamburg-American Line neither I nor my associates ever had any intention or desire to interfere with any existing arrangement between the Atlantic Fruit & Steamship Co. and the Hamburg-American Line, nor had we any knowledge that such negotiations contemplated or would necessitate any such thing.

The United Fruit Co. and the Hamburg-American Line had had very important operating agreements together, which had been in force and had been carried out by both parties for over 12 years, but which came to an end on December 31, 1911. In April, 1912, informal conferences looking to a resumption of business relations between the two companies took place in New York, and as a result it was suggested that there be a conference between Herr Ballin, managing director of the Hamburg-American Line, and myself, either in New York or London—preferably in London. I accepted the suggestion and, accompanied by Vice President M. C. Keith, went to London, and there met Herr Ballin and several other directors of the Hamburg-American Line at their hotel.

The conference opened by Herr Ballin stating that they were ready to negotiate for new business and suggesting that all past business relations between the two companies be forgotten. In this suggestion I acquiesced, stating that we would consider the relations between the two companies commenced on September 25, 1912, the date of the conference. Herr Ballin then asked what business we had to offer in the European and American trade. I replied by saying that the combined business we had to offer amounted to approximately \$1,500,000 yearly, and to handle it would require the construction by them of more steamers adapted to the trade. They discussed among themselves the cost and probable delivery date of such equipment, and in connection with this we offered to turn over to them three of the new steamers we then had under construction until such time as they could replace them by building others, with the understanding that if we concluded the arrangement they would place their orders immediately for such new ships. They suggested that such an arrangement should be for a period of 15 years, but this suggestion was not accepted by us at that time, but left open for further discussion. A large portion of the time at this first conference was taken up in discussing what arrangement could be made respecting the fruit-producing company known as the Hamburg-Colombian Banana Co., located at Darien, Colombia, in which they had a half interest. We failed to reach an agreement on this point, and at their request adjourned to meet the next day. During the whole of the first day's conference not an intimation was given by them that they were

under any obligation to or contract with the Atlantic Fruit & Steamship Co. which prevented them from contracting with us, and we assumed, naturally, that as this conference was being held with a view of making some arrangement between the Hamburg-American Line and the United Fruit Co. they were perfectly free to make such an arrangement with us.

The next day we again met at the appointed hour and were then told for the first time that Mr. Sickel had informed them that the Atlantic Fruit & Steamship Co. had at some previous time obtained from their late manager in New York, Mr. Boas, a letter which stipulated that the Hamburg-American Line would not enter into business relations with the United Fruit Co. for a term of years. They stated that they were very much surprised to learn of the existence of such a letter and that they had cabled New York to verify Mr. Sickel's statement and that pending its confirmation could not see how they could go on with the negotiations. Mr. Keith and I were surprised to learn that the Hamburg-American Line was not free, as we had been led to believe, and we at once stated that if they were not free that was the end of the negotiations.

Later in the day two of the Hamburg directors called on Mr. Keith and myself at the Savoy Hotel and stated that they were satisfied that such a letter had been written. These gentlemen stated that they had offered Mr. di Giorgio \$150,000 to cancel his arrangement with the Hamburg-American Line, which he had declined, saying that it would take \$1,000,000 to pay his company's debts and that he would not consider any offer less than \$2,000,000 and that they considered this sum prohibitive. They suggested that we should undertake negotiations with the Atlantic Co. with a view to getting them to release the Hamburg-American Line from its contracts. This we declined to do, and I remember distinctly stating to them that we had sold all of our stock in the Atlantic Co. with a view of severing all relations between the United Fruit Co. and that company, and that since that time we had occupied a neutral position toward them and under no consideration would we again have any negotiations with that company or renew any relations with them.

In the course of this second conference there was some discussion of the Atlantic Fruit & Steamship Co., and I do remember stating, as testified to by Mr. Sickel, that it was rumored in the United States that the Atlantic Co. had about used themselves up financially and were approaching bankruptcy. I did not state, however, as testified to by Mr. Sickel that they had not fulfilled their freight contract with the Hamburg-American Lines. On the contrary, I remember distinctly asking Mr. Sickel whether they had fulfilled their freight contract and he replied that they had, or words to that effect.

At no time did we ask or suggest or intimate that the Hamburg-American Line should endeavor to get rid of its arrangements with the Atlantic Co., nor did I ever suggest as erroneously intimated by Mr. Sickel that if they wanted to accept our proposition it would be necessary for them to go to Mr. di Giorgio and arrange the matter.

As I have stated above, we were informed by them that they had already been to Mr. di Giorgio and had been unsuccessful, and their suggestion that we see him was met with a declination on our part.

In conclusion I wish to state that the United Fruit Co. has always scrupulously avoided interfering in any way in the affairs of, with the contracts, or arrangements of the Atlantic Fruit & Steamship Co., and any statement or suggestion to the contrary by anyone is without any foundation in fact.

ANDREW W. PRESTON.

Sworn to and subscribed to before me this 3d day of March, 1913.

[SEAL.]

PHILIP K. REYNOLDS, *Notary Public*.

Mr. HARDY. I want to see what is the extent of the conflict with the testimony of Mr. Sickel.

The CHAIRMAN. Here is what he says:

Without my knowledge, the manager of the United Fruit Co.—at least, I think it was he—approached our principals in Hamburg. What arguments he used or what he said, I do not know. The first information that I had that there was any attempt at a conference between my principals and the United Fruit Co. principals was that I got a cable from my principals that a conference would be held in London in September, and for me to come over, as I was more or less familiar with the situation and I could probably be of some service in any negotiations that might take place. I was further requested

to bring Mr. di Giorgio with me, if I could induce him to go, and he consented to go, but he was no part of the conference in London.

Up to that time I had never met Mr. Preston, the president of the United Fruit Co., meeting him for the first time in London. He stated to my principals that it was the common report that the Atlantic Co. had about used themselves up financially, were approaching bankruptcy; that they had not fulfilled their freight contract with us; and that he was prepared to give us fruit for our Atlas steamers for a period of 15 years, and would make a similar contract for a service from the West Indies to Europe. We told Mr. Preston that while we knew of the reports that existed in regard to the financial condition of the Atlantic Co., yet, nevertheless, the Atlantic Co. had fulfilled their contract with us for the carriage of bananas. Aside from the moral feature, we had no legal grounds for breaking the contract; but, nevertheless, Mr. Preston's proposition had a certain amount of attraction to us, because the concern we hoped would supply us with fruit indefinitely was in a very shaky condition. We had nobody else to go to, and we did entertain his proposition very seriously. Mr. Preston said that if we wanted to accept his proposition it was necessary for us to go to Mr. di Giorgio and arrange the matter. We told Mr. di Giorgio very frankly what the situation was, and we offered him \$150,000 to be released from the contract, but he refused.

Mr. HARDY. In substance, I do not see that that conflicts with Mr. Preston's statement. The main thing is whether Mr. Preston offered the money.

Mr. PALMER. Mr. Sickel attributes to Mr. Preston statements regarding the Atlantic Co. and the suggestion that the Hamburg-American Line should break their contract, which Mr. Preston absolutely denies. It is not true. Mr. di Giorgio knew nothing about it, because he was not present at any of the interviews.

Mr. HARDY. The only substantial difference I see is that this statement says:

He stated to my principals that it was the common report that the Atlantic Co. had about used themselves up financially, were approaching bankruptcy; that they had not fulfilled their freight contract with us—

And Mr. Preston stated he never said they were bankrupt.

Mr. PALMER. Mr. Preston stated it was a common report in this country that they were in financial difficulties.

The CHAIRMAN. He says further:

And the contract is still in existence, and the only reason that there was any allurements to us in offering \$150,000 to be released from that contract was that we were so fearful that he would go into bankruptcy and our contract would be no good, and here was the United Fruit Co. offering to give us business for 15 years, and we knew that they could deliver the goods. However, all the negotiations fell to the ground, the Atlantic survived, and the thing is now running along very happily.

Mr. PALMER. We did not ask them to cancel that contract. Now, your honor, let me call your attention to this point: It was not the contract and is not the contract regarding the Atlas Line now held by the Atlantic Fruit & Steamship Co. which prevents the Hamburg-American Line and the United Fruit Co. from making a contract which both want to make for the European business. What prevents them is a letter which was first disclosed at this London conference; in other words, a letter which Mr. Boaz had given to Mr. di Giorgio, stating that they would not do any business with the United Fruit Co. for a term of years. Now, that is a separate thing. We do not know what that is and never heard of it before. Mr. Preston states that the German directors had never heard of it before, and cabled to the States to ascertain whether it was correct or not. When that

information came back to London I was informed—it does not appear in Mr. Preston's statement—that they consulted their counsel to see whether that agreement was legally binding, and the directors came back to Mr. Preston and said, "On account of that letter we can not have any further negotiations with you." Now, I wish to call your attention to Mr. di Giorgio's statement—

The CHAIRMAN. That is, without canceling the agreement?

Mr. PALMER. Without withdrawing the letter which Mr. Boaz had given, which was not the agreement for the charter of the fruit space in the Atlas Line steamers.

Mr. HARDY. What was the consideration upon which that letter was based?

Mr. PALMER. That is explained in Mr. di Giorgio's statement, and it corroborates it. You will find a statement corroborating that. Briefly, I understand it is this: When Mr. Sickel approached Mr. di Giorgio in 1911 with the suggestion that he (Di Giorgio) or the Atlantic Fruit Co. should charter the fruit space in the Atlas Line steamers Mr. di Giorgio was afraid that Mr. Sickel was trying to use him in connection with negotiations with the United Fruit Co. He was suspicious of Mr. Sickel—that is his language here—and Mr. Sickel says he had difficulty in convincing Mr. di Giorgio that the negotiations were sincere. Mr. di Giorgio said, "Finally I told Mr. Sickel I would not talk with him any more unless he gave me a letter saying he would not deal with the United Fruit Co. while he was dealing with me." Now, that is the letter that makes all the trouble. I do not know what that letter is. The directors of the Hamburg-American Co. told Mr. Preston in London that the existence of that letter prevented them from making any agreement with the United Fruit Co.

Mr. HARDY. That is what led up to the agreement between the Atlantic Fruit Co. and the Hamburg-American Line?

Mr. PALMER. That is my understanding.

Mr. HARDY. And is really the basis of it?

Mr. PALMER. Yes.

Mr. HARDY. Of course, they may not be legally bound.

Mr. PALMER. If they gave the letter, they intended to carry it out. Here is this enormous European business which the Hamburg-American Line and the United Fruit Co. want to engage in. We are willing to provide the bananas at plantations in various points in Central America, provided the Hamburg-American will furnish the ships to carry them to Germany, and we will develop the banana business in Germany the way it has been developed in London. It is entirely a new thing in Germany, and a food product which the Germans are very anxious to get.

Mr. HARDY. You have read carefully the testimony of Mr. di Giorgio and also of Mr. Sickel. Is there any other matter in which you desire to give your version in connection with their testimony?

Mr. PALMER. I have not attempted to answer specifically the various statements made by Mr. di Giorgio, because I preferred to make a general statement which covers the subject. This is the statement he made:

The CHAIRMAN. In your efforts from time to time to finance your company you found the banking situation was controlled in some way. Did you know just who were behind it and who were checkmating you in your efforts?

Mr. DI GIORGIO. Yes; I could make a very good guess.

The CHAIRMAN. Who were doing it?

Mr. DI GIORGIO. The United Fruit Co.

The CHAIRMAN. So that their influence was sufficient to prevent you from getting the financial assistance that ordinarily you commanded?

Mr. DI GIORGIO. Yes.

The CHAIRMAN. To operate with, from Kuhn, Loeb & Co. and any other—

Mr. DI GIORGIO (interposing). I never did any business with Kuhn, Loeb & Co. Kuhn, Loeb & Co. came into that deal through the Hamburg-American Line at the time I told you the Hamburg-American Line had on its hands what looked like a fight. Mr. Sickel, of the Hamburg-American Line, took me to the office of Kuhn, Loeb & Co. and introduced me to Mr. Warburg.

That is what he says about the United Fruit Co. That statement is absolutely without the slightest foundation. The United Fruit Co. never had anything to do with the financial arrangement in any way whatsoever. I am positive of that.

Here is what happened. In 1910 he had a company of \$250,000 capital stock. It was doing a successful business. Inside of a year the company became a company with a capital of \$15,000,000 and a bond issue of \$2,500,000. He took in a lot of various properties, incurred heavy fixed charges, and started out on a plan of expansion. We have not any information of the details of it. But we have the properties, we know the banana business, we know the conditions under which it is organized in Cuba, we know the locality in Nicaragua to which he attributes great values, and we think that his difficulties came solely from his operations; in other words, that in carrying out his enlarged plans he was not able to gain the profits he had estimated.

The CHAIRMAN. One obstacle that I recall was that the Hamburg-American had \$200,000 of bonds and they would not release them and take some other form of security.

Mr. PALMER. These statements that I am making now are things I have read in the newspapers, but I think they are accurate. When the Atlantic Fruit Co. was formed in 1911 they got up a bond issue of \$5,000,000, of which they proposed to sell \$2,500,000. Mr. di Giorgio states in here somewhere that they actually did sell \$2,100,000 of those bonds. Within a year of that time the Atlantic Fruit & Steamship Co. tried to get the holders of those first-mortgage bonds to surrender them and take preferred stock in place of them for the purpose of enabling the company to make an issue of debentures and get some additional money. Now, some of the bondholders did not want to do that, and the Hamburg-American, as Mr. Sickel said, owned some of those bonds and declined to exchange them for preferred stock. That did not have any bearing or effect upon anything we are talking about.

Mr. HARDY. Was that statement correct that you were at all instrumental in preventing the obtaining of moneys?

Mr. PALMER. I am glad you called attention to that, because I can testify of my own knowledge that no such thing ever took place.

Before I leave this committee I wish to say that, in fairness to the United Fruit Co., I hope you will bear in mind that the United Fruit Co. is not only a large but an earnest and honest organization, attending exclusively to its own business. The conditions and requirements of the banana industry are very peculiar. It is very hard for any company to come in and make a profit. From time to time even the United Fruit Co. suffers very heavy losses in its banana business.

Last year, with all its resources and all its power, it made a profit of seven-tenths of 1 cent a dozen on bananas.

Mr. HARDY. You mean on the bunch?

Mr. PALMER. No; on the dozen. Every once in awhile a flood comes or a hurricane or an earthquake or a drought or something else and wipes out a whole area of production. Last year a hurricane struck Jamaica and very much curtailed production there. That hurts the United Fruit Co. and it hurts the Atlantic Fruit Co. and everybody else. The business is most precarious and most dangerous and, although many people go into the business, very few succeed. Before the United Fruit Co. was formed there were many who had tried and failed. Every year new enterprises start in the banana business, but it is most difficult, and when a company which has its source of supply in one country is limited to one market in the United States it is certain some time to suffer very heavy losses, and that is the thing which prevents them from succeeding. The United Fruit Co. has absolutely nothing to do with it. The United Fruit Co. has no control over the price of its bananas. In fact, it tries to get all it can; but at this season of the year the supply it is obliged to bring in here is greater than the demand, and the result is heavy losses. What can you do with bananas that can not be sold? They are lost.

Mr. HARDY. You have never developed the European trade?

Mr. PALMER. Yes; we have a very large European trade in Great Britain.

Mr. HARDY. But not through the Hamburg-American Line?

Mr. PALMER. Not through the Hamburg-American; that is, through our own English company. We have started the Hamburg-American in Germany, and there is a great demand for the bananas there. They are anxious for them, and we want to supply them if we can.

Mr. HARDY. Aside from this controversy, have you investigated the practicability of banana growing down on the Rio Grande, where they are irrigating and, I understand, growing some bananas?

Mr. PALMER. You mean in Mexico?

Mr. HARDY. Texas and Mexico both.

Mr. PALMER. That is too far north. The Atlantic Fruit Co. abandoned banana growing in Cuba because that was too far north.

Mr. HARDY. You have to go farther south than Cuba?

Mr. PALMER. The successful way of getting bananas is to grow them in very large quantities down in the really tropical countries, but both Cuba and Mexico and even Jamaica are a little too far north. The United Fruit Co. has several very large sources of supply—one at Santa Marta, one in Costa Rica, one in Panama, and a fourth in Guatemala—and those plantations were all originated and have been developed and are owned exclusively by the United Fruit Co., and on that depends the strength of the company. They have never taken anything away from anybody else, and it is not necessary for the United Fruit Co. to be at all concerned in the operations of anybody else at other points in the banana business. In fact, all the other points practically are freely open, and if anybody else desires to enter the banana field and wishes to do what the United Fruit Co. has done, why, eventually they can get into just as strong a position, because there are many places in the Tropics where there are great

areas of fertile banana fields where plantations of just as great size as ours could be developed.

Now, this Hamburg-American-Colombian Co. has made an attempt to do that very thing. Not far from Santa Marta is a great area of banana land which some one, after getting the Hamburg-American Line interested, endeavored to develop into banana plantations. That is not far from us, and if that project ever really succeeds, as it may, it might become a very serious competitor of the United Fruit Co. What did we do when that project was announced? We did exactly the same thing as we do with everybody engaged in the banana business. We helped them. They wanted to plant great banana plantations in the Gulf of Darien. In order to do that they had to have the banana suckers. There is nobody within reach down there that has the quantity of banana suckers necessary to grow a big area, except the United Fruit Co. They would have had to go away over to Jamaica to get them. We had them at Santa Marta within a little while, and we furnished freely very large quantities of banana suckers to plant those banana plantations at Darien that belonged to somebody else. That is what the United Fruit Co. has done every time anybody has got into trouble in the banana business. They come straight to the United Fruit Co., and in very many cases we help them along, not because we are trying to control our competitors or restrict the trade, but because it is good business, and because there is a big market for bananas which we have very largely increased in this country, and we desire to encourage it.

The Atlantic Fruit Co. in 1910 was a small company. It was doing business at Cuba, Jamaica, and San Domingo. Since then it has gone into Nicaragua and Mexico. We do not bother with them. They can go right along. We do not want those bananas; we would not bother with them if we did want them. We are in competition in Jamaica, because there is a great, big, open market there, and that has always been a large source of supply. The United Fruit Co. and the Atlantic Fruit Co. buy bananas in open competition in Jamaica, but in 1910 they had their own independent business with independent sources of supply and they were not bothering with us. They were selling them in open competition in the markets of the United States, and they are to-day. As long as they do not try to take away something that belongs to us we will not bother with them.

(Thereupon, at 1.10 o'clock p. m., the committee adjourned.)

REPORT SUBMITTED TO THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES BY THE COMMITTEE APPOINTED BY THE REPRESENTATIVES OF STEAMSHIP LINES MAINTAINING ESTABLISHED SERVICES FROM NEW YORK TO FOREIGN COUNTRIES, INCLUDING PORTO RICO AND THE PHILIPPINES.

NEW YORK, March 3, 1913.

To the honorable the Committee on the Merchant Marine and Fisheries, Washington, D. C.

GENTLEMEN: The representatives of most of the steamship lines which maintain established services from the port of New York to foreign countries, including Porto Rico and the Philippines, have appointed the undersigned a committee to act for them. We have carefully considered the evidence brought out at the public hearings, and have sought and obtained the views of the trade generally. While complete unanimity of opinion is not to be expected, yet we find substantial agreement on all matters of importance, and we have therefore prepared the following memorandum, which we beg leave to submit for your consideration, and we respectfully ask that it be printed and made a part of the record.

The subject of your inquiry is an unusually complex one, and there are marked differences in the conditions existing in the various groups forming the ocean carrying trade from this country. The difficulty of the problem is increased by the fact that while the exports of all other countries are, for the most part, either manufactured articles or products of the soil, the immense development of our export trade within recent years has resulted in an enormous increase in exports of manufactured articles, without any material reduction in the export of products of our soil.

In order to move this traffic, amounting in money to nearly \$4,200,000,000 per annum, there are four groups of tonnage, each of which presents special conditions and divergent features, the services within each group differing considerably among themselves. In discussing these groups separately it is impossible to apply the same rules to all, and if it were attempted to regulate one of these groups by legislation it would be found that the rules applicable to that group were inapplicable to others.

The various trades are grouped as follows:

GROUP I. The trans-Atlantic trade covering all ports in Europe bordering on the Atlantic Ocean, the North Sea, the Baltic, the White Sea, the Mediterranean and the Black Sea, ports in Africa on the Mediterranean, and ports in Asia on the Mediterranean and the Black Sea.

GROUP II. The long-voyage trade, covering Africa, excepting Mediterranean ports; Asia with the exclusion of the ports on the Mediterranean and the Black Sea; South America, east and west

coast, but excluding the most northern part of it; Australia; and New Zealand.

GROUP III. The Caribbean trade, covering the West Indies, Central America, Mexico, Colombia, Venezuela, and British, Dutch, and French Guiana.

GROUP IV. The trade covered by tramp steamers transporting bulk articles all over the world.

We will discuss these groups separately.

GROUP I. *Trans-Atlantic trade*.—This group unquestionably represents the best development of the steamship business that can be found in any part of the world. The combined passenger and cargo type of steamer employed by most of our trans-Atlantic lines is superior in size and speed to any other type of steamship. The creation of this type of ship is the result of the development of the combined passenger and freight traffic between this country and Europe. The increasing passenger traffic not only of Americans visiting Europe but of Europeans coming to this country has enabled these most costly instruments of modern transportation to ply the Atlantic throughout the whole year. The steadily increasing immigration, together with the patronage of those who wish to revisit their homes abroad, furnishes a steady steerage traffic which demands and receives the most painstaking attention of the lines. It is the very lifeblood of the business so far as these superior boats are concerned, without which their existence and further operation would become impossible. The testimony given before you shows that agreements exist among several of the continental lines, the Mediterranean lines, and some of the British companies, which apportion the westbound freight traffic. These are the result of years of fighting and have become absolutely necessary. The trade is insufficient to furnish the steamers engaged in the various services with full cargoes. The struggle for such cargoes as were available had reduced the rates to such an abnormally low level that they had ceased to be of any value or attraction. The very high terminal charges on this side, varying for pier rent from \$50,000 to \$125,000 per annum for each line, the exacting demands made by the consignees who leave their goods on the wharf, using it as a warehouse, and the large claims which had to be paid annually, absorbed all the profit which might otherwise have been made. The trade was finally rescued from utter demoralization by the agreements mentioned, and we do not see how the trade could be conducted otherwise.

In regard to the eastbound business the position is somewhat different, and agreements among the lines exist to a limited extent only. Shipments which consist of products of the soil must perforce be sent forward at a freight rate which will enable our shippers to compete with other producing countries. In other words, these freight rates are governed by the law of supply and demand, and an attempt to control the ocean rates on such commodities would, in our opinion, be contrary to all the natural laws of commerce, and would result in materially curtailing business, to the detriment not only of the steamship companies, but also of the farmer, who would be obliged to accept the price which the European consumer would be willing to pay after the deduction of an arbitrary freight rate. The ports of discharge are only the gateways through which the traffic moves; all

the different groups of ports are more or less in competition with each other, and the forwarding cost, either by rail or by water, to the ultimate destination determines the freight rate which each port can secure.

As regards manufactured articles, the lines, in order to secure the business, are compelled to name freight rates which will permit American manufacturers to compete with European manufacturers in their home markets. The steel company, for instance, can only sell its products in Europe if the freight rate makes it possible for them to do so. It is absolutely in the interest of the steamship lines to fix a price for transportation which will develop and increase the American product, for an unreasonable rate of freight would curtail shipments and act automatically to the detriment and loss of the lines.

GROUP II. *Long-voyage trade*.—Conditions in the long-voyage trade differ materially, but it may be said generally that most of these services depend entirely on case oil and manufactured articles. At their inception these services had to carry large quantities of petroleum in cases at rates of freight which were fixed in competition with the tramp steamer carrying full cargoes. As the trade gradually developed, the various countries took an increasing quantity of manufactures and the rates of freight had to be fixed either on the basis of European rates, where our shippers were competing with Europe, or on the basis of the tramp charter market, where large quantities of American specialties had to be cared for.

The situation of this group is peculiar in many respects. For instance, in the African and Australasian trade no return cargoes are obtainable, while the same difficulty practically exists in connection with the services to Brazil and the River Plate. The voyage from the United States must therefore produce sufficient revenue to pay for a trip that must eventually be made in ballast, either by returning direct from the ports of discharge to the United States or indirectly by way of Europe with a ballast voyage across the Atlantic. Each section of this group consists of a number of companies, which, after years of competition, have finally come together and are operating under a conference agreement or some other effective understanding. In the Australasian and Far Eastern trades the voyage of each steamer occupies such a long time that it would be almost impossible for one ownership to undertake to provide an effective and satisfactory service, and this is an additional reason why several ownerships compose each line. The absence of passenger business in practically all the lines of this group creates an additional difficulty, but the services are maintained with efficient boats, offering regular and frequent departures and fully up to all the requirements of the business.

GROUP III. *The Caribbean trade*.—The trade to the West Indies and neighboring ports has only been developed to its present degree of efficiency during recent years. This trade calls for an entirely different type of ship from that of the trans-Atlantic or long-voyage trade. The steamers have to call at a large number of ports. The requirements of each port of call are limited. The size of the ship supplied is fully up to existing needs. The development of the banana trade homeward calls for vessels of a speed which the down-

ward trade could not possibly support; yet this business is exceptionally well supplied with superior and most efficient steamers.

The services composing Group III furnish largely foodstuffs to the ports at which the ships call. In respect of that class of traffic they encounter very little competition on the part of any other producing country. With regard to manufactured articles the situation is different. There is very strong competition on the part of Canadian shippers, who have the advantage of a very complete service, which has been or is about to be subsidized by the Canadian Government. The rates on manufactured articles must therefore be made sufficiently attractive to enable American merchants to compete successfully for the latter class of trade, and it is to the interest of the steamship companies to aid them by meeting their needs and demands in relation to freight rates.

GROUP IV. *Tramp service*.—This group furnishes steamers for the shipment of bulk articles, and the charter market controls this trade absolutely and entirely. The owner of a tramp steamer will exact such rates of freight as he can procure in competition with the markets of the whole world, and unless he can obtain what he considers satisfactory business he will not undertake it.

Having thus referred to the special conditions applicable to each group, we will now discuss the arrangements existing among some of the lines composing Groups I, II, and III. Of course, by the very nature of the case, there is no cooperation in Group IV.

There is not the slightest foundation for the statement sometimes made that the steamship business of the world is under the domination and control of some central power or combination of interests, and that the various understandings and agreements, the existence of which has been frankly admitted by the lines, are merely parts of one whole. The evidence shows that the agreements or understandings which exist in many branches of our commerce have been, without exception, the natural outgrowth of intolerable competitive conditions rather than the result of studied effort on the part of any interest or combination of interests to control particular branches of the trade; and if such agreements had not been reached, the cooperation of a number of lines for the development and handling of the trade would have been displaced eventually by an absolute monopoly resulting from the giving way of the weaker lines.

While it is true that certain lines are working in cooperation and some of the large European steamship companies have an interest in several groups, no world control exists or could exist. Each group operates independently for the development of its own particular field, without regard to the interest that any particular line may have in any group. The only cohesive force is found within each of the several groups and relates only to the business of that group. One line may be in conference with others, for example, in the far eastern trade, and at the same time may be attacking one or more of the same group in another trade, such as that of the River Plate. Some of the European members of the New York conferences have no interest in any European lines, and others, such as Barber & Norton, in the River Plate trade, the United States & Australasia Steamship Co. in the Australian trade, and the American-Asiatic Steamship Co. in the far eastern trade, are purely American companies and have no interest outside their own lines trading to and from New York.

The conference agreements adopted by the steamship lines engaged in trade between the United States and foreign countries are substantially the same as those in force in all the other principal maritime nations of the world. They are of various types, but ordinarily they contain the following features, or some of them:

1. An agreement as to sailings.
2. An agreement as to rates of freight.
3. A pooling agreement.
4. A system of deferred rebates to loyal shippers.

The term "conference" as used by the witnesses who have appeared at the hearings has several meanings. It has been used to describe meetings held by lines not otherwise cooperating for the purpose of considering matters of mutual interest in relation to the well being of the trade and improvements in the manner of handling it. Such a conference exists in the Caribbean service. It deals with administrative subjects, such as the form of bills of lading, dock receipts, methods of receipt and delivery of cargo, etc. This was not inaptly called by one of the members of your committee a "school-masters' conference." Another kind of conference deals with rate making and arrangements for mutual convenience of the supply and dispatch of tonnage in trades in which there is not otherwise any community of interest between the participants. The word is also used as synonymous with a partnership arrangement under which the carriers engaged in a certain trade each supply a fixed proportion of tonnage, or number of sailings, act as agents for each other in the conduct of the business, and divide the profits or losses in agreed proportions.

In every case the word "conference" carries with it the idea of cooperation, and in whatever sense it may be used it represents the method of conducting business which experience has shown to be the most useful, practical arrangement that can be devised for the economical operation of a service in the best interest of shippers and shipowners. A "conference" is not an arbitrary arrangement, artificially devised for the management of business. It is the result of an evolution based on long experience gained in the practical operation of a particular trade.

1. AGREEMENTS AS TO SAILINGS.

None of the groups of lines except those engaged in the trans-Atlantic trade has yet reached an advanced state of development, with vessels of a high class, freight, passenger, and a combination of both, with fixed and regular sailings, and with a convenient and complete system of terminal facilities. The other services are operated for the most part with what one might call "glorified tramps"—that is, the most efficient type of cargo vessel, of fair speed and large carrying capacity, but yet of moderate size and cost as compared with the highly developed vessels employed in the trans-Atlantic services. The conference services in the long-voyage trades are still undeveloped in comparison with the lines serving the same territory from Europe, in which larger and faster and better types of freight boats are used, and passenger boats also on account of the large emigrant traffic from Europe. Although these services have been sufficient for

the demand up to the present time, they must be improved in the future both in speed and regularity of service.

In the now thoroughly established trans-Atlantic trade it is not necessary for the lines acting in cooperation to determine or limit sailings in any way. But in new and undeveloped services it is necessary to agree on sailing dates and ports of discharge, for without regularity and frequency of service American merchants, manufacturers, and shippers would be at a decided disadvantage in competition with European merchants who enjoy a more frequent and better developed service from European ports to ports over-seas.

Shippers should be able to know with some degree of certainty when their shipments may be made and when delivered to purchasers in distant countries. Under unrestricted competition several ships may sail the same day or the same week for the same port or ports, and consequently there may be no other sailing for a considerable period. When lines are working in cooperation they agree not only as to the time of sailing, but as to the ports, thus avoiding the waste involved in several ships calling at ports which require only one and giving an excessive tonnage on one date and a corresponding lack of tonnage at other times.

It is to be remembered that a large part of the shipments from the United States to foreign countries comes from the interior. With regular sailing dates goods arriving late and missing one steamer will be delayed only a short time and can go forward on the next boat. The loading and delivery of cargoes also is greatly facilitated by cooperation, preventing the accumulation of goods, unnecessary port charges, and loss of time.

The result of an agreement as to sailings is to enable shippers to fill their contracts promptly, to build up new business, and to compete successfully with their competitors in Europe.

2. AGREEMENTS AS TO RATES OF FREIGHT.

The testimony of merchants and of steamship owners and agents has been uniform to the effect that agreements as to rates are desirable and of advantage to both interests, provided the rates agreed on are not unreasonably high.

The great preponderance of the evidence on this subject before the committee has been to the effect that the freight rates charged by the conference lines have been fair and reasonable and have been as stable as conditions affecting the freight market would permit. Shipowners operating line services being dependent for success on the good will of shippers always seek to establish rates which will be satisfactory to shippers and will enable them to compete successfully with foreign merchants who are bidding for trade against the merchants of this country. It has been shown that the rates in many, if not all, the trades are fixed in competition with the rates of lines trading to the same points from foreign countries and on a parity with those rates as nearly as conditions will permit. The evidence has also shown that nearly all the important foreign trades in which the United States is interested are subject to competition, either within the several groups themselves or by other regular lines and by tramp ships. The tendency of such competition and the certainty that exaggerated rates would lead to further competition tends to keep the rates of the

lines working in cooperation at reasonable figures. No conference is ever immune from attack, and the history of every cooperative service is that it has grown from a single line or from a small number of lines to its present size and condition by the constant aggression and admission of other competing services. Ocean freight rates on merchandise to or from the United States, whether in conference trades or not, rise or fall with the rates to and from other countries. The trade and shipping conditions of the whole world govern the ocean rates to and from the United States as well as to and from other countries.

Competition in freight rates beyond a very limited point is detrimental to the interests of shippers, especially of small shippers. Competition has never established a reasonable rate nor maintained a stable rate. In every rate war the object of the competitors is to obtain the business of the large shippers. The rates offered to such shippers are directly or unconsciously discriminatory, and the business of the smaller shipper suffers. Rate wars tend to the monopolization of trade by the larger shippers. Unless the warring steamship factions come to some agreement the result is more or less of a monopoly on the part of the most powerful carrier engaged in the conflict. An agreement as to rates, on the other hand, insures stability in the cost of transportation and tends to avoid discrimination as between shippers. In time of warfare among the lines steamship owners are disinclined to make forward contracts for the carriage of merchandise, as they naturally are disinclined to sell their room for the future at a loss. Stable conditions, on the other hand, give shippers fixed rates and room for long forward periods, running for months or a season or for years ahead. Such arrangements enable the American exporter to compete with his foreign rival who has similar facilities. Neither the large nor the small shipper is ever at the mercy of conference lines if rates advance to a point which may be thought to be unreasonable. If the rates exceed or even approximate the chartered rate for tramp steamers large shippers immediately protect themselves by the employment of tramps for the transportation of their shipments. Small individual shippers who can not accumulate merchandise in quantities sufficient to justify the chartering of tramp steamers are at such times served by chartering brokers who are always ready, when rates by the regular lines advance to such a point that a profit can be made by chartering, to lay chartered ships on the berth, themselves accumulating the shipments of numbers of small merchants who by this means can always protect themselves against oppression.

Although there has been little or no evidence tending to indicate that conference agreements as to rates have caused the rates to be unduly advanced, yet it happens that this inquiry is being made at a time when freight rates in all branches of our trade are abnormally high. If the committee had undertaken the same investigation at almost any time between 1900 and 1910, a very different state of things would have been brought to light. During that period the supply of tonnage was far in excess of the requirements of trade, and there was keen competition among tramp owners. In consequence shipbuilding was greatly curtailed. The usual percentage of steamers lost at sea was hardly replaced, and when general business improved throughout the world the demand exceeded the supply. Strikes and

labor difficulties at shipyards and in the handling of ships and cargoes in port, the closing of the Dardanelles, and the withdrawal of many Italian ships on account of the Italian-Turkish war have combined to create such a scarcity of freight room that, with the continually increasing demand, the freight market has risen to an unprecedented extent. Prior to 1910 there was in the foreign shipping trades of the United States a period of fierce and chaotic rate cutting. At times cargoes were carried at such unprofitable rates as \$2 a ton to the River Plate; \$3 a ton to the Philippines, China, and Japan; \$2.50 a ton to Australia; and \$4 a ton to South Africa.

During that period the supply of tonnage was in excess of the world's requirements, and the American shipping agent was able to induce tramp shipowners to attack the then existing unprotected and loosely organized services. As the trade of the world overtook the supply of tonnage, these owners became dissatisfied with fighting rates from New York, because they were able to employ their steamers to better advantage elsewhere.

In order to maintain existing services and the position which the lines had attained in their respective trades, some method of cooperation had to be evolved to bring rates into conformity with the changed conditions. For these reasons American conference line rates, which are now on substantially the same basis as those from Europe, show a greater percentage of increase than European rates for the same period. Our increases are from an unnaturally low level of fighting rates, whereas the advances in European rates reflect only the natural increase of improved world trade.

Although ocean rates have advanced materially during the last year, the advance is by no means limited to the foreign trade. In point of fact, the rates charged on the long-voyage lines are still very much lower in proportion to the length of the voyage than those charged in the coastwise service of the United States. This will appear from the following table of current coastwise and foreign rates on certain classes of commodities carried in the respective trades.

Rates per 100 pounds from New York to coastwise ports compared with foreign ports.

	Wilmington (550 miles).	Charleston (650 miles).	Savannah (700 miles).	New Orleans (1,700 miles).
Dry goods.....	\$0.50	\$0.57	\$0.57	\$0.70
Canned goods.....	.15	.15	.15	.15
Hardware.....	.40	.47	.47	.50
Plows.....	.15	.19	.19	.35
Other agriculturals.....	.15	.19	.19	.35
Barrel oil.....	.20	.15	.15	.25
Kerosene.....		(Prohibited.)		.35

	Galveston (1,900 miles).	Argentine ports (3,000 miles).	Cape Town (7,000 miles).	Shanghai (12,500 miles).
Dry goods.....	\$0.55	\$1.76½	\$1.20	\$0.60
Canned goods.....	.15	.79½	.42	.58
Hardware.....	.63	.79½	.42	.58
Plows.....	.25	.49½	.42	.58
Other agriculturals.....	.25	.80	.55	.93
Barrel oil.....	.20	.60½	.51	.45
Kerosene.....	.32	.36½	.27	.58

While the committee has apparently recognized that it is now dealing with a period of abnormally high rates throughout the world, yet questions have been asked which indicate a doubt in the minds of some of the members whether the increase in rates has not been out of proportion to the increase in business. For example, Mr. Sickel was asked why it was that, while our imports and exports for the year 1911 increased about 7 per cent over 1910, and those of 1912 exceeded those of 1911 by 17 per cent, yet freight rates in that period had gone up from 100 to 200 per cent. It may be doubted whether the actual increase throughout the whole range of rates has been so great as indicated, but a very great increase has no doubt taken place. It is not, however, economically sound to assume that increases in rates of freight are proportional to the increases in imports and exports. It may well be, of course, that the increase of exports and imports based upon the value of the goods would not be measured by the same percentage as the increase in the quantities imported and exported. But we leave that point aside.

An increase in the volume of business may easily lead to a much larger proportional increase in the value of freight space. Let us use Mr. Hardy's illustration of the mule team, and suppose 10 mule teams to be working in a certain neighborhood with a steady demand for that number of teams. The teams will then be worth exactly their living wage for a day's work, supply equaling demand. But let an additional job be started in the neighborhood, requiring another mule team, and the value of all the mule teams immediately rises. If 12 new employers require mule teams the market value of all teams will go still higher. This new value has no relation to the amount of work the teams can do, which presumably will remain the same, but is due entirely to the urgency of the highest bidder for their services. Steamers are as easily moved about as mule teams, and when, as happened in 1910, one country after another started bidding for steamers, a scarcity was created in other countries, which in turn had to bid still more. In this way freight rates may be and are bid up out of all relation to the actual increase in this country's exports or imports. The rise in the rate was due not only to the increase of this country's exports and imports, but also to the increase of imports and exports of other countries. As one authority has put it, if there is one steamer short of the world's demand there will be good freight rates; if there is one steamer more than the world requires, freight rates will go down.

The factor which has been most largely instrumental in raising the freight rates of liners is the great increase in the chartering value of tramps. The great majority of liners may be put into tramp business, and many of them are so employed when charters of single steamers for special business are peculiarly attractive. The testimony has shown conclusively that the tramp steamer does control the freight rate on all bulk articles of export and import. The independent testimony of Mr. Barnes, one of the largest grain exporters of this country, clearly establishes this fact.

The question has been asked what protection, if any, the small shipper can secure who does not ship in quantities large enough to charter a steamer or who can not combine with other shippers to make such a charter practicable. The protection of such shipper is the liner's dependence upon him, just as in every well-organize^d

trade the liner's protection is the recognition by the small shipper of his dependence upon the liner. The present large shippers and importers were formerly men of small operations. It is the constant experience of lines that the small shipper of to-day becomes the large and powerful shipper of to-morrow, and the line which would neglect or oppress him when weak can hardly expect his support when he becomes strong.

But there is a broader basis for the safeguarding of the small importer in a well-known economic condition. We live in an exporting country. Our exports largely exceed our imports. Exports and imports, as tabulated in terms of dollars and cents, do not, however, tell the whole story. While by far the greater part of the exports are natural or partly manufactured products, such as cotton, rosin, grain, oil, etc., and are of relatively low value, though occupying large spaces in vessels, the imports are largely made up of high-priced manufactured goods or luxuries of small bulk. The result of this difference is that, while steamers can generally get a full load from this country, most of them have to come here empty or only partly full in order to obtain that load. Even small lots of inward cargo, therefore, are carefully sought out and engaged, as each lot constitutes so much gain to the liner, and attention to the movement of small lots fosters and increases the general trade.

Looking at the case of the small exporter, we also find a natural condition of trade operating to keep rates reasonable. With exports as with imports, the consumer pays the freight. This freight can not be more than the consumer is willing to pay. The steamer's freight rate must, therefore, be such as will enable the American exporter to sell his products in competition with the products of other countries. The liner, which depends largely on the higher-class freight for its profit, being regulated as to bulk cargo by the rate for tramp tonnage, would find it destructive of its interest to restrict or ruin the trade in those commodities upon which its greatest profit depends.

Let us give an illustration which may arise in the course of any business day. An inquiry is received in the United States for 50 locomotives, to be delivered in Japan. The shippers advise the steamship agents that there will be sharp competition in the delivered price from Europe and that the established rate would endanger their chances of obtaining the order. At the New York conference meeting such a matter would be discussed, the views of the various manufacturers competing for the order would be considered, and, in order to help American merchants and manufacturers to secure the business, and thus enable the lines to obtain this freight for its steamers, it is found necessary to quote on that special lot, say, 5 shillings below the usual tariff rate. Such special rate is then given to every merchant who may be competing for this order.

As a matter of policy, it is not to the interest of the steamship lines to make the large shippers still larger, yet it is necessary to reckon with the demands which large shippers are in a position to make. When their shipments are large enough to justify the chartering of tramp steamers large shippers are in a position to enforce rates which are generally somewhat below the current charter rates. The class of merchandise of these large shippers is not, however, commonly handled by the small exporter. The large shippers ship

their own product; and being in entire control of it, they often decline to sell their product to small exporters who might desire to trade in it abroad. The class of merchandise shipped by the small exporters is ordinarily of an entirely different nature. It consists of articles of greater value, which can readily pay an increased rate of freight. In asking a higher rate for such products, the attitude of the steamship lines is similar to that of railroads, which are permitted to charge a higher rate for less than carload lots than they do for full carload shipments and to have classifications based upon the nature and value of the goods shipped, under which they charge higher rates on goods of higher value. As a rule, however, the steamship lines obtain the same rate of freight from all the smaller shipments, and no differential rate is made on account of differences in value. If the large shipments referred to should not be secured, the smaller shippers would have to pay an enhanced rate of freight and would also suffer inconvenience from the necessary curtailment of sailings which would result from decreased shipments.

If rates should be unduly advanced, the foreign buyer, who pays the freight, would decline to purchase our products. The safety valve against the charging of exorbitant freight rates is in reality the lines' own interest to do everything in their power to foster trade, and to do nothing which would have a tendency to restrain it. While at the present time all steamship lines have more cargo offered than they can readily accommodate, the situation has been entirely different in the past, and doubtless conditions will again arise under which, even with large shipments of bulk articles, the lines will not be able to procure full cargoes, and this is the best possible guaranty that nothing will be done which has a tendency to hinder any kind of business, whether large or small.

3. POOLING.

The word "pool" has taken on an unpopular sense because of its association with practices that have been found to be wrong in relation to land transportation and in the distribution of manufactured products. In connection with the operation of a steamship conference, pooling is nothing more than an equalization of expenses and earnings by the component members of a conference, with the object that the conference shall furnish all the facilities that are demanded for the transportation both of profitable and unprofitable cargo and for the accommodation of the least profitable as well as the most profitable ports. Under its operations regularity of service is maintained, whether full cargoes are offered or not, whether the cargoes offered at any particular time be of a more or a less profitable kind, and whether the going rates as embodied in the tariff be profitable as compared with the general market value of tonnage or not; it enables the conferees to give service within the area of the conference operations at small or unimportant ports, often at a loss, which would have to be neglected unless such loss could be equalized by being brought into a division of the earnings with the other vessels which serve the more important ports. The conferees, in substance and effect, become partners for the purpose of supplying tonnage for the particular trade in which the pool operates, and they divide their

earnings and losses in proportion to the capital represented by tonnage which is furnished to supply the needs of the trade.

The evidence has shown that a better, more stable, and more regular service, attended by less fluctuation in freight rates, can be and is afforded by a conference operating under a pool than can possibly be supplied without a pool. Especially is this true in the long-voyage trades. Unless the steamers of all lines serving a particular trade are of equal type, speed, and equipment, equal rates can not be maintained by all, as shippers will not give their high-class merchandise, which is the better paying cargo, to the inferior boats. The less desirable boats could obtain only the less desirable and less remunerative cargo. By means of pooling the weaker line is compensated for its failure to obtain a fair share of the more remunerative goods, and by living alongside the strong line adds to the total of the shipping facilities which the trade may reasonably require.

Steamers do not always load the same class of cargo, nor do they go to the same ports or follow the same routes. To the Far East, for instance, some ships take the route via the Cape of Good Hope, others go by Suez. When the Panama Canal is opened vessels bound for Japan and ports north of Shanghai will probably go through the canal, while vessels bound for ports south of Shanghai will still follow the Suez route.

Nor do all vessels go to the same ports. On most of the routes there are a number of ports of destination. An owner attempting to serve them all would not only enormously increase his expenses, but would also cause dissatisfaction to the receivers at the later ports of discharge because of the undue length of the voyage. In order to compete with Europe at European rates several services must be run on each route. The traffic must be handled not only in the most economical, but also in the quickest manner possible. Therefore, the tendency would be for an individual line to avoid calling at the less important ports, in order to obviate loss of time, extra steaming, and additional port charges. If, however, a line knows that it will be compensated by its associated lines, it will serve the undesirable ports of call as frequently as the trade may reasonably require. Without pooling this country would be without communication with many comparatively unimportant ports throughout the world, the business of which, nevertheless, amounts in the aggregate to a large sum in the course of the year.

This is one of the most important matters for consideration in connection with pooling, for anything which might tend to disturb the existing arrangements for the service of so many ports would unquestionably cause inconvenience and loss to shippers and receivers. Unless the different owners are permitted to equalize the results of these various voyages each would have to resort to the system of visiting all ports or but a few ports. In either event, dissatisfaction would result; in the one case from enhanced freight rates, which would be necessary in order to enable the owner to pay the expenses of a large number of ports, or from failure to serve many of the ports at all. Any system which left the trade in such a dilemma would be equally detrimental to shippers and shipowners.

The nature of the business to be taken care of in the long-voyage trades requires pooling for its economical treatment. Our large man-

ufacturers and exporters have extensive outstanding contracts for the supply of rails, locomotives, car material, bridge work, oil, etc., to various ports. No one service alone could possibly handle such products. Shippers are often obliged at stated periods to make large shipments of a kind of material which would be quite unsuitable for a steamer, such as rails, on which the earnings would be much below those of succeeding steamers which would carry other portions of construction material covered by the same contract, the rates for which would be far more remunerative. Only a joint service which could equalize the earnings under the whole contract would carry the materials covered by these large contracts without charging freight rates so prohibitive as to deprive the American manufacturer of the opportunity of securing the contracts in competition with foreign manufacturers. So the conference lines are able to maintain their schedules and provide for the export trade, even at a loss to the individual ship. An instance has occurred during the currency of these hearings in which an extra steamer had to be chartered to supply the needs of certain shippers from the Philippines, resulting in a loss to the pool of about \$15,000.

In steamship trades in which owners jointly engage in supplying a large service the pool acts merely as an equalizer of expenses and receipts; and it is absolutely essential in some trades for the efficient and economical operation of the business. Without it the trade could not possibly be served with equal efficiency, regularity, or economy. The question, therefore, whether pooling in steamship trades will be permitted or not is really not a question whether a pool is a good thing or a bad thing in itself, but whether a certain quality of steamship service is desired in certain trades. While a conference may exist without pooling, yet it is beyond all dispute that certain trades can not be conducted economically, regularly, and efficiently, nor with stability of rates, without pooling.

4. REBATES TO LOYAL SHIPPERS.

The system of deferred rebates to loyal shippers has none of the evils of the secret rebate which was formerly employed by railroads. Rebates which exist in certain trades from distant countries to the United States are open and public. In the coffee trade from Brazil, for instance, circulars are printed by the lines and widely distributed among shippers of coffee in the Brazilian ports, offering a discount or allowance on the freight to any merchant who will confine his shipments for a fixed period to the conference lines. Any merchant may obtain the benefit of this published allowance by complying with the terms of the circulars. Under this system large and small shippers are treated absolutely alike.

The alternative to the deferred-rebate system in trades where the return cargoes are insufficient to fill the ships required for the outward voyages is the long-term contract. It is universally recognized that one or the other of these methods of insuring a continued patronage of the regular lines is necessary to justify the operation of such lines. To the shippers the great advantage of the rebate system has been the maintenance of steady rates of freight free from any serious fluctuations. Under that system the merchant signs no agreement binding him for the future. He is only bound to the extent of his

accrued rebate. Except for this measurable sacrifice he is a free agent and can always avail himself of any opposition that offers him advantages sufficient to compensate him for his loss of rebates and is also in a position to obtain from the conference lines the advantage of any fall in current freight rates during the period covered by the rebate agreement. Under a contract for the shipment of a fixed quantity, or for all shipments made within a fixed period of time, the merchant fetters his future action and is deprived of all opportunity to avail himself of lower rates which may be offered in or out of the conference during the period that would otherwise be covered by his agreement.

The attitude of the merchants themselves to rebates is indicated in an interesting way by the recent action of the principal coffee shippers of Brazil, who on the 6th of November, 1912, petitioned the Brazilian Government to suspend the operation of a regulation which was about to be put into effect prohibiting the use of the rebate system. The petition set forth the advantages to merchants of the system as follows:

1. Constancy and equality of freights whatever the quantity of cargo shipped may be.
2. Arrangement and maintenance of regular sailings.
3. Running of steamships of the first class and of good speed, thus offering at all times sufficient tonnage for exporters independently of the fluctuation of the market.

Upon this petition the Brazilian Government suspended the regulation and authorized the continuance of the rebate system on exports from Brazil. (See *Diario Official* of Rio.)

Among the advantages resulting from the system of conference agreements are the following:

(a) The institution and maintenance of regular and frequent sailings, by which the desire of merchants to forward their goods at regular and frequent intervals is satisfied.

(b) The provision of steamers of a higher class and speed than the ordinary tramp vessels, thus permitting merchants to obtain the most favorable rates of insurance on their shipments and to make deliveries in accordance with their advance contracts.

(c) The maintenance of rates from the United States at about the level of rates charged by lines trading from foreign countries to the ports served by the conference steamers, thus enabling American merchants to compete with merchants of other countries.

(d) The maintenance of uniform rates of freight to all shippers, large and small alike.

(e) The provision of ample facilities and tonnage, so that merchants can rely upon the forwarding and delivery of goods in respect of which they may have made, or may wish to make, advance contracts.

(f) The establishment of economies in the delivery of cargo at outports, or ports of minor importance, in which there are new or growing trades, thereby effecting savings in the cost of distribution.

(g) The provision of adequate terminal facilities which enable merchants to accumulate their shipments on the piers in advance of the actual loading of vessels, thereby saving the expense of storage in warehouses or lighters.

As the result of a protracted inquiry by a royal commission in England a few years ago it was found that similar advantages had resulted to British exporters from the operations of conferences. We adopt as our own the reasoning of the report of that commission, which appears in the proceedings of this committee at pages 377 to 389, and bespeak for it the careful consideration of the committee. The experience of the world has not shown any other means by which corresponding advantages to shippers have been or can be obtained.

Individual cases of dissatisfaction with existing arrangements will always be found to exist, but it is an undeniable fact that the great mass of shippers are reasonably satisfied with the methods under which the world's carrying trades are conducted. If they were not satisfied the trades would not be conducted as they are, but different methods would have been required, discovered, and put into operation. Until experience discovers some new or better method, it is but natural that shipowners should insist that the method under which the carrying trades of the world are now conducted are reasonable and practically equitable and just. It would be too much to require that they should be so perfect as to be beyond the reach of possible criticism or complaint.

In considering the reasonableness of conferences for the management and operation of steamship trades, the striking differences between the conditions incident to the operation of those trades and the business of railroads must be kept clearly in mind. Railroads obtain their franchises from the State, which permits them to lay their tracks along the lines of existing or potential trade centers and to acquire rights of way by the exercise of eminent domain. Without these special privileges a railroad can not be built. A road which is built in the exercise of such franchises becomes in duty bound to maintain a regular and continuous service as efficient as the needs of the trade along the line require and the rewards of the business will permit. It is but just that companies thus organized, enjoying property rights acquired often at the expense of the State, and operating by virtue of special privileges, should be held to the performance of the functions for which they were created and shall not so use their privileges as to cause prejudice to the public. They are public utilities and must expect public regulation.

The conditions under which transportation by sea is conducted are totally different. Ships are not fixtures in any trade and are not constrained by any fixed line or route. They have no public aid, no franchises, and, for the most part, no advantages of local trade between the termini of their voyages. They owe no duty to the State to maintain a service or to serve the public. Their enterprises are of a private nature. They may come and go by whatever route or in whatever direction they please. Their only incentive to engage in any particular trade is to develop that trade to such a point that it will yield a profit which will justify a regular and continuous service. But if conditions are imposed which embarrass a particular trade or render it less profitable it is but natural that the routes of ships should be changed to trades where commerce is unrestrained and yields the greatest gains.

The ocean trade, except for restricted coastwise trade in some countries, is free to all comers. According to the most recent reports of Lloyd's Register of Shipping, the over-sea commerce of the world is conducted by over 25,000 steamers, having a gross tonnage of 48,954,000 tons, which are owned by approximately 4,200 different firms and companies. Of this great body of tonnage only about 1,355 steamers, owned by approximately 108 different companies, are engaged in regular-line service in the oversea trades. The remainder constitutes the great mass of free tramp tonnage, operating entirely under the law of supply and demand, and regulating the ocean freight rates for everybody by the charges which they fix for the transportation of the great mass of the world's staple products. It is manifest that the relatively few regular lines, owning but a small proportion of the world's tonnage, could not, if they would, control the operations of the great number of tramp shipowners and the vast body of the tramp tonnage, or that any method of combination could be devised by which such owners of different nationalities, situated all over the world, could be brought into effective combination.

The suggestion that the tramps are controlled by the regular lines is without foundation. While at times the regular lines have no charter tramps to take care of their surplus cargo, and thus give the merchants and exporters of the United States the benefit of facilities which they would otherwise lack, not the slightest evidence has been produced at the hearings, and none could be produced, to show that the regular lines could possibly control the tramp tonnage.

The fear of any general or large combination by means of conferences is thus seen to be without real foundation; while the economic and commercial necessity for them in the regular line services has been demonstrated by experience and has been found of advantage to shipowners and shippers alike.

A fallacy which should be exposed is the contention that the foreign lines are seeking to throttle American export trade. If this were so the lines trading between the United States and ports in Brazil, for instance, would not establish the same rates of freight as exist between European ports and the ports mentioned.

Nor is there any better foundation for the notion that the foreign lines are crowding out American shipping. The navigation laws of the United States have probably proved a deterrent to the building up of an American merchant marine, but the United States offers so many opportunities for a higher return on capital than is afforded by ship owning, that it is not surprising that capital has been unwilling to embark in the shipping business.

If American capital were content with a return such as some of the English lines have earned in the last decade it would, perhaps, invest in ships. The testimony shows that the Leyland Line, for instance, did not pay a dividend on its preferred or common shares between the years 1902 and 1912.

Nor is there any foundation for the suggestion that the foreign lines favor their own merchants. In most of the long-voyage trades from ports in the United States the tonnage is supplied by British and German lines, which also maintains services from their own countries to the same ports of destination over-seas. If such lines

wished to favor the merchants of their own nations it is obvious that they would not engage at all in furnishing tonnage from the United States by means of which American merchants could compete with the merchants of their own nations.

We have now dealt at considerable length with the economic principles underlying the operation of the steamship business through the medium of conferences and their attendant incidents. Emphasis should be laid on the fact that these principles are by no means limited to the lines trading to and from the United States, but are of universal application throughout the shipping world.

The evidence brought out at the hearings must have convinced your committee of the impracticability of applying to ocean carriers engaged in the foreign trade statutory provisions similar to those of the interstate-commerce act. The nature of the steamship business is so different from that of railways that it would be injurious, not only to shipowners, but to shippers and consignees, if any limitation should be placed upon the absolute freedom of carriers to change their freight rates as the conditions of the freight market reasonably required. Ocean freight rates vary not merely from month to month, but from day to day and from hour to hour, especially with reference to the great staples which are traded in on the exchanges. The difference of a fraction of a cent in the freight rate may mean the loss of a contract to a merchant or manufacturer at an interior point of the United States who is competing with manufacturers and merchants in other countries. In the development of new countries the American manufacturer of steel rails, locomotives, car material, bridge work, etc., is competing with English and German manufacturers. The American corn merchant is competing not only with merchants in this country, but with Canada, Russia, Australia, and Argentina. Unless the carriers are free to quote to such merchants freight rates which will enable them to compete successfully with the business of the merchants of other countries the lines will suffer serious detriment.

We are firmly convinced that if we are to maintain our commanding position as an export country and to develop our trade still further in new and distant countries, methods of cooperation substantially similar to those now in existence are essential.

The right to enter into conferences which regulate sailings, establish reasonable, stable, and uniform rates, and equalize profits and losses, through the medium of pooling, is essential to the successful and efficient conduct of the steamship business. We believe, also, that in certain trades, especially those not yet fully developed, the deferred rebate system is preferable to the alternative system of long-time contracts. While these conferences undoubtedly limit competition among their members, they have not restricted our foreign trade and commerce, but have enormously developed it, have resulted in the maintenance of reasonable rates, and have no tendency to monopoly. Unfair methods, whether of combination or competition, are illegal. But the methods adopted by the steamship lines, which have been stated with candor at the public hearings held by your committee, merit the approval of your committee and should not be curtailed by any restrictive legislation. If they should be curtailed

by such legislation, then the efficiency and regularity of the services and the uniformity of rates to large and small shippers alike will to that extent be unfavorably affected.

Respectfully,

PAUL GOTTHEIL, *Chairman*,
P. A. S. FRANKLIN,
W. G. SICKEL,
HERBERT BARBER,
WILLIAM BOYD,
A. EMILIUS OUTERBRIDGE,
Committee.

CORRESPONDENCE AND MEMORANDUM RELATING TO THE UNDERSTANDING BETWEEN THE STEAMSHIP LINES OPERATING IN THE TRADE FROM THE UNITED STATES TO SOUTH AND EAST AFRICA.

NEW YORK, February 28, 1913.

HON. J. W. ALEXANDER,
Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: Referring to the request of the committee, in the course of my examination, that I should endeavor to obtain a copy of the agreement covering the conference-line business between New York ports and ports in South and East Africa, I wish to say that my principal, the Prince Line, advises me that there is not any written agreement in relation to that trade, but that the trade for a number of years last past has been conducted under the terms set forth in a memorandum prepared by the Union-Castle Mail Steamship Co. in behalf of all the associated lines, which memorandum, I am informed, has been sent to you by Messrs. Barber & Co.

Yours, faithfully,

PAUL F. GERHARD.

NEW YORK, February 28, 1913.

HON. JOSHUA W. ALEXANDER,
Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR SIR: When giving testimony before your committee, I was also asked to use my influence in submitting to your committee the agreement between the African lines. I have ascertained, in the meantime, that no actual agreement exists, but that the lines are working under an understanding, and that the Union-Castle Steamship Co. has been authorized by the different lines to submit the terms of the understanding to your honorable committee, and which I believe is being sent to you to-day by the agents of this company.

I beg to refer to the same, and remain,

Yours, very truly,

PAUL GOTTHEIL.

NEW YORK, February 28, 1913.

J. W. ALEXANDER, Esq.,
Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR SIR: We received from our principals, the Union-Castle Mail Steamship Co. (Ltd.), London, the inclosed statement, which they request us to forward to you for your information, and, although it is signed only by themselves, we understand the other interests referred to in the memorandum, concur in the statement submitted.

We are, dear sir,

Yours, respectfully,

By J. BARBER, *Vice President.*
BARBER & CO. (INC.),

MEMORANDUM PREPARED BY THE UNION-CASTLE MAIL STEAMSHIP CO.

LONDON, February 8, 1913.

[Trade from the United States to South and East Africa.]

The steamship lines interested in the trade from the United States to South and East Africa, viz, the Union-Castle Mail Steamship Co. (Ltd.), the Bucknall Steamship Lines (Ltd.), the Clan Line (Ltd.), the Hansa Line of Bremen, the Houston Line, the Pritchard Line (Ltd.), desire to make the following statement for the information of the Committee on the Merchant Marine and Fisheries:

1. There is no agreement in existence between the lines, but there is, and has been for some years, a friendly understanding between them for the proper working of the trade, the essential features of which are as follows:

2. The Union-Castle Mail Steamship Co. (Ltd.), by reason of the fact that it is an amalgamation of two companies—the Old Union Steamship Co. (Ltd.) and the Old Castle Mail Packets Co. (Ltd.)—has two-sevenths interest in the trade, and the other lines one-seventh each, making seven in all.

3. Steamers are provided by each line in turn, as may be required to meet the requirements of the trade, an efficient service being maintained.

4. The understanding is that rates shall be maintained as nearly as may be possible equal to those which are charged from British or continental ports to South and East Africa, due regard being had to the relative classification of goods in the United Kingdom and the United States.

5. No primage is charged and no rebate is allowed.

6. The steamers' earnings are pooled and the pool is divided in such a way that each line gets in the apportionment practically the amount earned by its respective steamers. The object of the arrangement is to conduct the trade with regularity and frequency of sailings to meet the requirements of American shippers; otherwise, owing to the small interest of each line, the trade would be carried on with great irregularity. American shippers have expressed their strong desire for a regular and frequent service.

7. The lines initiated the steamship service from New York to South African ports 20 years ago, and it has undoubtedly helped greatly in the development of American trade with that quarter of the globe and has been appreciated by merchants generally. It has always been the desire of the lines to act in accordance with the law, and they fail to see that in working the trade as they are now doing they are transgressing it in any way.

It has been the desire of the lines to satisfy American shippers by making two to three dispatches a month, which facilities could only be carried out by mutual cooperation.

We beg to append the dates of sailings during 1912: January 16, January 27, February 16, February 26, March 11, March 24, April 1, April 25, May 10, May 15, May 28, June 10, June 18, June 30, July 14, July 28, August 1, August 8, August 23, August 31, September 15, September 28, October 11, October 27, November 9, November 22, December 4, December 15, December 28.

E. F. ABBOTT,

For the Union-Castle Mail Steamship Co. (Ltd.).

INFORMATION RELATING TO THE AGREEMENT BETWEEN THE LINES OPERATING FROM AMERICAN PORTS TO THE BALTIC.

Various witnesses in their testimony before the Committee on the Merchant Marine and Fisheries testified to the existence of a so-called "Baltic agreement." According to information furnished to the committee, in response to a request for the same from representatives of the steamship lines, it appears that the several lines engaged in the trade from American ports to the Baltic (viz, Det forenede Dampskibs-Selskab, Hamburg-American Line, Wilson Line, and North German Lloyd) are now parties to an agreement, consisting of various rules and resolutions agreed to at various meetings held during the years 1906-1912. Briefly summarized, these rules and resolutions provide for the following:

(1) The formation of two separate pools as regards 19 commodities coming under the head of "Provisions," each pool referring to a particular group of commodities. As regards each of these two pools, relative basis rates are established for the ports of Baltimore, Newport News, Norfolk, Montreal, Phila-

delphia, New York, and Boston, subject to such changes as the adjustment of tonnage may from time to time make necessary. In each pool the four lines submitted their carryings for three years, and in accordance with this data the percentage allotted to each line was agreed upon. The results of each pool are divided in accordance with the percentages agreed upon, and an adjustment is effected every six months during the currency of the agreement which is to continue from year to year, and the line or lines shown to be overcarried must pay in cash to those short-carried any difference then shown. It is also agreed that all lines accept the enumerated articles only on through bills of lading and that where optional bills of lading are issued to the discharging port of the Atlantic steamer, with privilege to be forwarded to a Baltic port, such shipments are to be included in the pool, provided the privilege is availed of.

If the agreement operates unfairly or disadvantageously upon any service, it is arranged that a readjustment shall be promptly effected between the owners of the lines so as to make the disposition of the business fair and equitable. Disputes are referred to the decision of two arbitrators representing the respective interests to the disputes, who in turn are empowered to appoint an umpire, and the decision of the arbitrators, or umpire, is final and binding upon all the parties.

(2) The establishment of a pool between the aforementioned four lines as regards shipments of certain articles, classed as "Agriculturals," from New York, Boston, Philadelphia, Baltimore, and Newport News to Russian and German ports on the Baltic, as well as to ports of Denmark, Norway, and Sweden. Shipments, as in the previous cases, are divided among the lines on the basis of agreed percentages. The other arrangements governing this pool are similar in character to those described under the first class of this description. It is provided, however, that American agents be instructed to see that articles coming under this pool be shipped by the lines which can earn the largest net sea freights by arranging not only their engagements but, when possible through exchange of cargo, the lines honoring each other's through bills of lading.

(3) The formation of another pool by the aforementioned four lines as regards the shipment of 18 other articles of export from and to the same ports enumerated under the second section of this description. In the main the detailed arrangements governing this pool are similar in character to those adopted for the regulation of the other pools.

It should be stated that the several pools described above run for different periods of time, and that the lines agree to forward their manifests and statements of freight to the acting secretary by the end of every month for the preceding month, and that the statistics must be completed by the acting secretary by the 15th day of the next month.

CORRESPONDENCE RELATING TO THE AGREEMENT GOVERNING THE SERVICE BETWEEN
NEW YORK AND WEST COAST OF AFRICA.

NEW YORK, March 3, 1913.

HON. J. W. ALEXANDER,
*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: Your letter of February 28 has been received. On the same day as your communication reached me I received the inclosed letter from our company in Hamburg, dated February 20, which speaks for itself.

Yours, faithfully,

W. G. STORCK,
Vice Director Hamburg-American Line.

HAMBURG, February 20, 1913.

HAMBURG-AMERICAN LINE, New York.

DEAR SIR: We duly received your letter of the 27th ultimo and noticed that you wish to have the agreements concerning the service between New York and the West Coast of Africa and the westbound Mediterranean freight agreements.

We have communicated with the other parties in these trades whether they agree that we give the required documents to the committee. You will see that, as the other parties have the same rights in these documents as we, we are not entitled to give these documents without the consent of the other parties.

Yours, faithfully,

HAMBURG-AMERIKA LINIE,
JURISTISCHE ABTEILUNG.

COMMUNICATION FROM THE WINE AND SPIRIT TRADERS' SOCIETY OF THE UNITED STATES
RELATIVE TO ALLEGED EXCESSIVE FREIGHT RATES CHARGED BY NORTH ATLANTIC
STEAMSHIP LINES.

NEW YORK, March 4, 1913.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
House of Representatives, Washington, D. C.

DEAR SIRS: We, the Wine and Spirit Traders' Society of the United States, including the largest importers of wines, spirits and malt liquors, respectfully petition for relief from the excessive freight rates that are now being charged by ocean carriers.

We have annexed to this petition a schedule of the ocean freight rates of the different lines from various European ports showing the great increase in freight rates since 1910. As you will see from these figures the increase is quite general and, in some cases, is an increase of more than 100 per cent. The information furnished is taken from bills of lading covering shipments from the various ports during the years indicated and has been supplied by members of this society.

We wish respectfully to bring to your attention the fact that there is little or no competition among the ocean carriers. In some cases there is only one line from an important port. In other cases the two or more lines from a port charge precisely the same rate. In other cases, when it is practical to make shipments from more than one port, the rate by the lines from the two or more available ports are the same. When freight rates are advanced the advance is made by the different lines simultaneously.

As evidence of the correctness of our statement and proof of combination the following is a translation of a circular, the original of which is annexed, issued by the American Line, Cunard Line, Red Star Line, Atlantic Transport Line, Holland America Line, Compagnie Generale Transatlantique, and White Star Line, dated Bordeaux, December 24, 1912:

[American Line, Atlantic Transport Line, Cunard S. S. Co., Holland-America Line, Red Star Line, Cie. Generale Transatlantique, White Star Line.]

BORDEAUX, December 24, 1912.

We have the honor to inform you that, in view of the steady rise in coal, of the increase in salaries, the continued increase of expenses of all kinds which the Maritime Industry has to contend with, as much in foreign ports as in France, our owners (armateurs) find themselves in the imperative necessity of increasing, from the 1st of January, 1913, the rates of freight now in force from the ports of Europe to New York.

We, therefore, beg of you to consider as annulled the conditions we have indicated to you up to to-day and to note that we are at your disposal to furnish you with quotations which will be applicable to the future.

AMERICAN LINE.
CUNARD LINE.
RED STAR LINE.
ATLANTIC TRANSPORT LINE.
HOLLAND-AMERICAN LINE.
CIE. GENERALE TRANSATLANTIQUE.
WHITE STAR LINE.

Copy of original.

[American Line, Atlantic Transport Line, Cunard S. S. Co., Holland-America Line, Red Star Line, Cie. Generale Transatlantique, White Star Line.]

BORDEAUX, le 24 Décembre 1912.

M——
Nous avons l'honneur de vous informer qu'en présence de la hausse persistante des charbons, de l'élévation des salaires, de l'accroissement continu des frais de toutes sortes qui frappent l'industrie maritime aussi bien dans les ports étrangers qu'en France, nos armateurs se trouvent dans l'impérieuse nécessité d'élever, à partir du 1er Janvier 1913, les taux de fret actuellement en vigueur des ports d'Europe à New-York.

Nous vous prions, en conséquence, de considérer comme annulées les conditions que nous vous avons indiquées jusqu'à ce jour et de noter que nous sommes à votre disposition pour vous fournir les prix qui seront appliqués à l'avenir.

Veuillez agréer, M——, nos salutations empressées.

AMERICAN LINE,
CUNARD LINE,
RED STAR LINE,
ATLANTIC TRANSPORT LINE,
HOLLAND AMERICA LINE,
CIE GÉNÉRALE TRANSATLANTIQUE,
WHITE STAR LINE.

In the absence of competition there seems to be no protection against a still further advance in ocean freight rates and we respectfully pray that your committee will report in favor of legislation, or some action under existing laws, which will protect not only American importers but also American consumers, for, as you will understand, any increase in freight charges is generally included in the cost and paid ultimately by the consumer.

The advance is so serious in some cases that the selling prices can not be raised to cover the increase in freight charges without seriously imperiling sales.

We remain, very respectfully yours,

F. G. Herman Fayen, president, representing Chas. F. Schmidt & Peters;
Henry E. Gourd, first vice-president, representing Henry E. Gourd;
Maurice LaMontagne, treasurer, representing E. LaMontagne's Sons;
Horace I. Bowne, secretary, representing Leoser Bros. & Gilmore;
Lucien Antoine, representing Williams & Humbert; Henry A. Bätjer, representing Bätjer & Co.; Arthur J. Billin, representing James Buchanan & Co.; Cesare Conti, representing Cesare Conti; Eugene J. Cantin, representing Luyties Bros.; William J. Davies, representing John Dewar & Son (Ltd.); H. P. Eschewege, representing Francis Draz & Co.; George D. F. Leith, representing Wm. G. Moehring & Co.; Grosvenor Nicholas, representing G. S. Nicholas & Co.; Frederick Rencken, representing Mumm Champagne & Importation Co.; Alex. D. Shaw, representing Alex. D. Shaw & Co.; Chas. H. Simonds, representing F. O. de Luze & Co.; Irving K. Taylor, representing W. A. Taylor & Co.; David R. Ward, representing Bass, Ratcliff & Gretton (Ltd.); Alfons Wile, representing Julius Wile Sons & Co. (Members of Council, Wine and Spirit Traders' Society of the United States.)

Schedule of ocean freight rates.

	1910	1911	1912	1913
Whisky, Scotch: Anchor Line, Glasgow.	20/- and 10%..... 22/6 and 10%.....	25/- and 10%..... 25/- and 20%.....	27/6 and 10%.....	30/- and 10%.
Whisky, Irish: Cunard Line from Liverpool.	22/6 and 10%.....	22/6 and 10%.....	27/6 and 10%.....	30/- and 10%.
White Star Line from Liverpool.	.....	.....	.....	.....
Gin, British: Atlantic Transport from London.	.....	22/6 and 10%.....	25/- and 10%.....	27/6 and 10%.
American Line from Plymouth.	.....	.....	.....	.....
White Star via Southampton.	19/- and 10%.....	22/3 net.....	35/- net.....	40/- net.
Brandy: French Line from Charente via Havre or direct from Bordeaux.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 40 per 1,000 kos.
French liqueurs: French Line, Havre to N. Y.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 40 per 1,000 kos.
American or White Star, Havre via Southampton.	20/- per 40 cubic feet.	20/- per 40 cubic feet.	20/- per 40 cubic feet.	40/- per 40 cubic feet.
French liqueurs: Bordeaux French Line via Havre.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 40 per 1,000 kos.
Italian bitters, Genoa: Various lines.....	17/6 per 1,000 kos..	17/6 per 1,000 kos..	25/- and 10% per 1,000 kos.	30/- and 10% per 1,000 kos.
German kummel, Hamburg: Hamburg-American Line.	\$3.50 per cubic metre 25/- and 10%.	\$3.50 per cubic metre 27/6 and 10%.	\$3.50 per cubic metre 30/- and 10%.	\$4 per cubic metre.
Jamaica rum: Atlantic Transport, London.	.....	.....	32/6 and 10%.....	.....
Champagne: French Line, Havre supplement steamer.	.....	Fcs. 18 per 250 botts. and 5%.	Fcs. 18 per 250 botts. and 5%.	Fcs. 25 per 250 botts. Net.
French Line, Havre postal steamer.	Fcs. 23 per 250 botts. and 5%.	Fcs. 23 per 250 botts. and 5%.	Fcs. 23 per 250 botts. and 5%.	Fcs. 25 per 250 botts. Net.
Red Star Line, Antwerp.	Fcs. 18 per 250 botts. and 5%.	Fcs. 23 per 250 botts. and 5%.	Fcs. 20 per cubic metre and 5%.	Fcs. 25 per 250 botts. Net.
French wine: French Line, Bor- deaux.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos.	Fcs. 30 per 1,000 kos. (Since Oct.)	Fcs. 40 per 1,000 kos.
Sherry: Comp. Transatlan- tica, Cadix.	35/- and 10% per ton of 1,200 kos.	35/- and 10% per ton of 1,200 kos.	42 1/2 pts. to 47 1/2 pts. and 10% per 1,000 kos. (Since Nov. 1.)	42 1/2 pts. to 47 1/2 pts. per 1,000 kos.
Port wine: Cunard or White Star, Oporto, via Liverpool.	42/- and 10% per ton.	42/- and 10% per ton.	44/6 and 10%..... (Since May.)	44/6 and 10%.
Tarragona port. Cunard or White Star, Tarragona, via Liverpool.	47/- per ton.....	47/- per ton.....	52/- per ton..... (To Nov.)	52/- per ton.
Italian vermouth, Genoa: Various lines.....	20/- per 1,000 kos. and 10%.	20/- per 1,000 kos. and 10%.	25/- per 1,000 kos. and 10%. (Since Nov.)	30/- per 1,000 kos. and 10%.
(W. A. Taylor & Co., previous to January, 1912, on large quantities, 10 cents per case of 60 lbs.)	.....	.....	30/- per 1,000 kos. and 10%.	.....

Schedule of ocean freight rates—Continued.

	1910	1911	1912	1913
French vermouth: Marseille, Fabre Line.	25/- per 1,000 kos..	25/- per 1,000 kos..	25/- per 1,000 kos. (1st part of year.)	30/- per 1,000 kos.
Olive oil, Genoa: North German Lloyd.	25/- per 1,000 kos..	25/- per 1,000 kos..	30/- and 10% per 1,000 kos.	
Olive oil, Bordeaux: Comp. Transatlan- tique.	.....	Fcs. 25 per ton, net.	Fcs. 25 per ton, net.	Fcs. 35 per ton, net.
Ale and stout: White Star Line, Liverpool.	Hhds. 4/4..... Bbbs. 3/-..... Kils. 1/8..... Firks. 1/-.....	Hhds. 4/4..... Bbbs. 3/-..... Kils. 1/8..... Firks. 1/-.....	Hhds. 5/6..... Bbbs. 3/9..... Kils. 2/8..... Firks. 1/8.....	Hhds. 8/9..... Bbbs. 6/1..... Kils. 3/4..... Firks. 1/9.....
Ale and stout, bottles: Atlantic Transport, London.	(12/6 and 10%.....)	10/- and 10%..... 10/- and 20%..... (2 months.)	12/6.....	16/- and 10%.....
Ale and stout, bulk: Atlantic Transport, London.	{ 4/4 and 10% per hhd.	4/4 per hhd..... 4/4 and 10% per hhd. (2 months.)	5/6 per hhd.....	8/3 per hhd.
Chartreuse: Konin-Klyke Neder- landische Stoom- vaart Maatschop- py. Tarragona, via Rotterdam.	30/- per 1,000 kos..	30/- per 1,000 kos..	40/- per 1,000 kos..	

COMMUNICATIONS FROM W. G. SICKEL, VICE DIRECTOR OF THE HAMBURG-AMERICAN LINE.

HAMBURG-AMERICAN LINE,
New York, March 18, 1913.

HON. J. W. ALEXANDER,
Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR SIR: Referring to the testimony given before your honorable body on January 22 by Mr. George S. Jackson and Mr. Ferdinand A. Meyer, both gentlemen being interested in the export grain business from the port of Baltimore, I feel it incumbent to write you in defense of the Baltimore steamship lines in general and my own company in particular.

The substance of the testimony given by these two gentlemen was that the steamship companies were willfully forcing grain from Baltimore to New York, Boston, and more northern gateways and that they did not give the Baltimore grain exporter the space he needed. There is no evidence before you that the various foreign steamship lines are willfully sacrificing one gateway for the benefit of another. The trade seeks the line of least resistance and the more remunerative ports as surely as water seeks its level. It is a natural and not artificial means that directs the flow of tonnage from one port to another. Owing to the large passenger business to and from the ports of Boston and New York those ports naturally attract more tonnage than a port like Baltimore, whose passenger demands are extremely limited. If, therefore, steamship lines are in a position to offer more space at New York and Boston than at Baltimore, it is due to the reasons just mentioned and not because they have any desire to keep the business away from Baltimore. On the particular commodity in question (grain) our records show that the rate from Baltimore is, as a rule, just as good as that obtainable from the more northern United States Atlantic ports, so that, from a strictly rate standpoint, there could be no grounds for a discrimination.

We have seen during the past season an abnormally heavy movement of grain for export, due to the unusually large and excellent crops harvested in this country and opposite conditions prevailing in Europe. In addition to this, manufactured products and package cargo moved freely, and it was a difficult thing for the steamship lines to handle all this movement with their regular tonnage.

In November last we received a delegation from the Baltimore Chamber of Commerce, representatives of Messrs. Jackson and Meyer's firms being present. They

came to protest against the small amount of grain space that we were offering forward on our steamers from Baltimore to Hamburg, they having principally in mind space for the movement of corn during the winter months of January, February, March, and April. We explained to them that they had facilities for taking care of grain by chartering tramp steamers, and it was much easier with them to find the medium of transporting their merchandise than it was with the small package freight shipper who was unable to accumulate large quantities with the same facility, and we therefore felt that, when there was a question of lack of room, the small shipper should be given preferential treatment. They stated, however, that their business was better facilitated by the regular lines, as they could sell in parcel lots and could insure better deliveries, and they were fearful that an absolute dependence on tramp steamers would restrict the movement of grain.

As a result of this conference we promised the gentlemen forming the delegation that we would increase our facilities at Baltimore either by the medium of extra steamers taken out of some of our other trades or by chartering tramp steamers, or both. We told them this with the full recognition of the fact that the chartering of tramp steamers is surrounded by considerable financial risk, but that we were willing to take that risk in order that they might have no complaint. The following tabulation giving the movement in bushels and the number of departures is a testimony to the faith with which we have carried out our promise:

BUSHEL8.

	Baltimore.		New York.		Boston.	
	1913	1912	1913	1912	1913	1912
January steamers.....	174,857	402,857	508,000	380,000		
February steamers.....	1,258,888	514,380	320,000	447,000		40,000
March steamers.....	454,286	317,142	188,000	524,000	24,000	97,000
April steamers.....	1,888,081 128,000	1,234,379 16,000	1,016,000 124,000	1,360,000 179,000	24,000	137,000

¹ Room still obtainable.

SAILINGS.

January.....	3	3	8	5	3	1
February.....	8	5	7	5	3	4
March.....	4	4	7	6	3	2
April.....	3	1	7	7	3	2
	18	13	29	23	12	9

The figures quoted above show that, even though we had a less number of steamers at Baltimore than at New York, we carried a greater quantity of grain from Baltimore and that, during the three months just closing, the quantity of grain carried from Baltimore is about 53 per cent greater than it was in 1912.

The underlying thought in this letter is not so much the concrete facts but that, at times of large movements of freight our line (and I think the other regular lines are no exception) expand their tonnage to meet the existing needs of the trade.

Trusting that you can see your way clear to make this letter a part of the records, believe me,

Yours, faithfully,

W. G. SICKEL.

Vice Director Hamburg-American Line.

HAMBURG-AMERICAN LINE,
New York, March 24, 1913.

HON. J. W. ALEXANDER,
Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR SIR: As indicated on page 842, of Pamphlet No. 16, giving my testimony before the Committee on the Merchant Marine and Fisheries, on January 31, 1913, I was asked some questions regarding the dividends declared by the company that I

represented. The inquiry led me to investigate the matter, and I find the dividend record since the formation of the company is as follows:

	Per cent.		Per cent.		Per cent.
1847.....	0	1870.....	7	1893.....	0
1848.....	0	1871.....	12	1894.....	0
1849.....	0	1872.....	16	1895.....	5
1850.....	0	1873.....	12	1896.....	8
1851.....	0	1874.....	0	1897.....	6
1852.....	0	1875.....	0	1898.....	8
1853.....	28	1876.....	0	1899.....	8
1854.....	0	1877.....	0	1900.....	10
1855.....	10	1878.....	7	1901.....	6
1856.....	8	1879.....	6½	1902.....	4½
1857.....	0	1880.....	10	1903.....	6
1858.....	0	1881.....	12	1904.....	9
1859.....	0	1882.....	9	1905.....	11
1860.....	6	1883.....	4	1906.....	10
1861.....	8	1884.....	0	1907.....	6
1862.....	10	1885.....	0	1908.....	0
1863.....	8	1886.....	4	1909.....	6
1864.....	8	1887.....	6	1910.....	8
1865.....	20	1888.....	8½	1911.....	9
1866.....	20	1889.....	11	1912.....	10
1867.....	16	1890.....	8		
1868.....	8	1891.....	5		
1869.....	15	1892.....	0		
				Average.....	6.958

The laws of the Empire of Germany, in which country our company is incorporated, prohibit the watering of stock. No stock can be issued except for property which actually exists; therefore these dividends are declared only from profits derived from actual investment.

In view of the fact that our company is always cited as one of the most successful of the foreign steamship lines, we submit this statement as evidence of the reasonableness of the profits.

Trusting you can see your way clear to make this letter a part of your records, I am,

Yours, faithfully,

W. G. SICKEL,
Vice Director Hamburg-American Line.

HAMBURG-AMERICAN LINE,
New York, March 15, 1913.

HON. J. W. ALEXANDER,
Chairman The Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR SIR: On page 844, pamphlet No. 16, wherein is recorded the evidence that I gave before your honorable committee on January 31, I endeavored to make the point that the percentage of increase of freight rate with the tramp steamer in the past two years has been far greater than that with the so-called regular lines, although the regular lines are alleged to be working in collusion with each other and the tramp is not. In substantiation of my argument, I attach article clipped from yesterday's New York Journal of Commerce which, for sake of record, I repeat as follows:

"LONDON, February 28.

"Another small shipping company has issued a report indicating remarkable prosperity during the late year. The Woodfield Steam Shipping Co. states that the net proceeds of voyages during the year was £63,400 against £29,700, in the preceding twelve months, while the net profit was £50,900 as compared with £9,800.

"The dividend of the company has been increased from 3 per cent to 7½ per cent and naturally the directors are able to strengthen the financial position of the company.

"The concern is not an important one, but the figures are eloquent of the fact that small concerns have been able to take even greater advantage of the prosperity of the shipping industry than have the big shipping undertakings."

Possibly you will see your way clear to make this letter a part of your records.

Yours, faithfully,

W. G. SICKEL,
Vice Director Hamburg-American Line.

COMMUNICATIONS FROM MR. W. G. SICKEL, VICE DIRECTOR OF THE HAMBURG-AMERICAN LINE.

HAMBURG-AMERICAN LINE,
New York, April 7, 1913.

HON. J. W. ALEXANDER,
*Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: As indicated on page 556, giving my testimony on January 22 before your honorable body, I was asked if anything had come under my observation on which I could base an opinion as to whether or not there is a deferred rebate agreement between the lines operating between New York and Italian ports on west-bound freight. Under date of March 5, my principals in Hamburg advised me that, according to article 12 of the Mediterranean freight agreement and by-law 25 amending same, there does exist a rebate system in connection with westbound freight from Italian points to New York and that the rebate is paid periodically to the shippers in Italy.

On page 557 of the same pamphlet, I was asked if there is any agreement between the Cunard, Austro-American, North German Lloyd, and our line as to a division of territory in the Mediterranean. I am informed by my principals in Hamburg, under date of March 19, that there is no agreement regarding a division of the ports in the Mediterranean between the companies mentioned.

Yours, faithfully,

W. G. SICKEL,
Vice Director Hamburg-American Line.

HAMBURG-AMERICAN LINE,
New York, April 7, 1913.

HON. J. W. ALEXANDER,
*Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: As indicated on pages 566-567 and 568 giving my testimony on January 22 before your honorable body, I was asked to produce a copy of the agreement existing among the lines operating between New York and ports on the West Coast of Africa.

Copy of the agreement, which bears date of the 2d day of March, 1911, has just been received from my principals in Hamburg and I take pleasure in inclosing a copy of same herewith. In the testimony previously referred to I was asked on page 568 if the agreement included a deferred rebate provision. You will note from inclosure that the agreement calls for no deferred rebate.

Yours, faithfully,

W. G. SICKEL,
Vice Director Hamburg-American Line.

COPY OF AGREEMENT BETWEEN LINES IN THE NEW YORK-WEST COAST OF AFRICA TRADE.

Between the Woermann-Linie, Hamburg-Amerika Linie, Afrika-Dienst, Hamburg-Bremer Afrika-Linie, A. G., on the one part, hereinafter called the Afrika-Dienst, and the African Steam Ship Company, the British and African Steam Navigation Company Limited, Elder Line Limited, on the other part, hereinafter called Elder Dempster, for united service between the West Coast of Africa from Lüderitzbucht to Dakar, the Canary Islands and Maderia all included and the United States of America and vice versa.

(1) The service between the United States of America (primarily the port of New York) and the West Coast of Africa, shall be maintained by the two parties on a timetable to be mutually agreed upon.

(2) The rates of freight and passage rates shall be charged the same by both parties and are to be settled by mutual agreement, and to be binding on both parties.

(3) Both parties are at liberty to take cargo as through freight from the U. S. A. via Europe to the ports worked by the new service, to meet merchants' requirements. All rates of freight from New York to the West Coast of Africa, either direct or via England or via Germany, shall be the ordinary traffic rates from England and Germany to the West Coast of Africa. The rate from New York to the Canary Islands (both on direct and through freight) shall be settled from time to time by mutual agreement.

(4) The Afrika-Dienst bring into the pool when approved of by Elder Dempster & Co. (Ltd.) the contract they have closed with the Otavi Minen und Eisenbahn Gesellschaft for the transport of ore from German South West Africa to New York (Perth Amboy).

(5) The Afrika-Dienst further bring into the pool the share of their contract with the Vacuum Oil Company, as far as same applies to the ports served.

The Afrika-Dienst agree that Elder Dempster try to alter their contract with the Vacuum Oil Company so that they have also the right to take petroleum direct from the U. S. A. at the same rate as the Afrika-Dienst, and Elder Dempster agree to do as aforesaid and to ship by this new line the petroleum above referred to for all ports worked by this service.

Both parties to the contract are entitled and bound to tender to the other any petroleum under their contract with the Vacuum Oil Company in so far as they are liable to provide tonnage for same and have no sailing.

(6) In the event of competition both parties have to take joint steps in the defence of their mutual interests.

(7) Service is to be maintained on the lines that a British and a German steamship shall take the sailings alternately.

The size of the steamers to be employed in this service shall be in proportion to the requirements of the trade, with the object of ensuring that each party shall carry as nearly as possible the same quantity.

(8) The two parties shall issue circulars and time-tables jointly. The agents of the two parties in America and Africa to issue similar notices, while each agent shall only book for his own line.

(9) The agency of the English Lines in Swakopmund and Lüderitzbucht shall be the branch offices of the Woermann nn-Linie.

Conferences of the representatives of the lines summoned to discuss the service shall take place as required alternately in Hamburg and London.

(10) All freights and passages of the line to be pooled after the carrying steamer has first received 25 per cent thereof, the pool afterwards to be divided equally between Elder Dempster and the Afrika-Dienst, but if one of the parties to the pool desires to load a full cargo of timber from the West Coast of Africa to the U. S. A. not in a regular line they may do so without bringing same into the pool, provided that the cargo of timber is not to be delivered at New York, Boston, or Philadelphia, and provided that when such timber cargo is contemplated by either party a week's notice of their intention to take up such cargo is given to the other party to this agreement.

(11) Settlements between the parties interested to be made every six months, details to be settled by mutual agreement.

(12) This agreement shall commence at once and be in force for seven years. After the lapse of this period the contract shall run on unaltered, subject to six months' notice given by either party to terminate on the 1st of January of any year.

(13) If either of the parties interested consider it necessary to start a new regular line from any other port of the American Continent to the West Coast of Africa and vice versa, such party is bound to invite the other party to join in the undertaking on the basis of the present contract, but the party invited has the right to refuse.

(14) In the event of any dispute arising under the present contract the question shall be submitted to an arbitration, each party to name their own commercial representative.

If arbitration is demanded by the English lines, the umpire to be named by the Hamburg Chamber of Commerce; if the German lines call for arbitration, the umpire to be named by the London Chamber of Commerce.

The decision of the majority shall be binding on both parties without recourse to court of law.

Made in duplicate this second day of March, one thousand nine hundred and eleven.

On behalf of the African Dienst Woermann-Linie:

(Signed) ARNOLD AMSINCK.

Witness to the signature—

W. J. MOYNIHON,
62, Gloucester Road, Finsbury Park, N.
For Elder Dempster & Co., Limited:

(Signed) OWEN PHILIPPS,
Chairman and Managing Director.
(Signed) PICTON H. JONES,
Secretary.

Witness to the signature—

W. J. MOYNIHON,
62, Gloucester Road, Finsbury Park, N.

As Managers for The African Steamship Company; The British and African Steam Navigation Company, Limited; The Elder Line, Limited.

THE EXISTENCE OF DEFERRED REBATES IN THE TRADE FROM THE UNITED KINGDOM
TO THE WEST COAST OF CANADA OR PUGET SOUND.

Several importing firms on the American Pacific coast, in letters addressed to the committee, have called attention to the adoption of the deferred rebate system by some of the foreign steamship companies engaged in the trade from Europe to the northern Pacific ports. The following is a copy of the deferred rebate circular issued by the Harrison Direct Line to exporters of goods from the United Kingdom to any port on the west coast of Canada or Puget Sound:

HARRISON DIRECT LINE.

British Columbian and Puget Sound ports.

Exporters of goods from the United Kingdom to any port on the west coast of Canada or in Puget Sound, who, from the 1st April, 1913, to 30th September, 1913, have found it to their interest to confine their support and shipments to these ports to the steamers of the Harrison Direct Line, will be allowed a rebate of 10 per cent off the freights contributed during that period, provided only that such support and shipments are continued to 31st December, 1913.

Exporters applying for returns, which will be paid at this office on and after 31st December, 1913, will please to fill up and sign forms which may be had upon application.

Exporters failing to apply for returns within three months of the time when payment becomes due forfeit their claim thereto.

No returns, immediate or deferred, other than the above will be allowed on shipments to the above-mentioned ports.

Until further notice shipments made by the steamers loaded by Messrs. Alfred Holt & Co., or to the east coast of the United States or Canada, and thence overland by rail, or via the Isthmus of Panama, or via the Isthmus of Tehuantepec, will not invalidate claims for this rebate.

For the Harrison Direct Line.

RICHARD BULMAN & Co.,
Loading Brokers.

MERSEY CHAMBERS,
Liverpool, 18th March, 1913.

MEMORANDUM OF AGREEMENT BETWEEN STEAMSHIP LINES ENGAGED IN THE NEW
YORK-AUSTRALIAN TRADE.

NEW YORK, April 16, 1913.

Hon. J. W. ALEXANDER,
Committee on Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: By direction of the American & Australian Line we beg leave to submit to you the answers of that line to the questions contained in the printed schedule issued by the committee.

These answers, as received by us from the line, contained a respectful request to be relieved from answering the first and second questions on the ground of the pendency of three cases instituted by the United States in relation to steamship traffic agreements. On our advice the managers of the line have amended the return so as to include answers to the first and second questions. The amendments are contained in letters addressed to us, which we are instructed to lay before the committee, and which we have taken the liberty of pasting in the schedule.

It is hoped that the answers in this form will be found satisfactory.

Yours, faithfully,

CONVERS & KIRLIN.

THE AMERICAN & AUSTRALIAN STEAMSHIP LINE,
LONDON, E. C., 7th March, 1913.

MESSRS. CONVERS & KIRLIN,
New York City, United States of America.

DEAR SIR: Mr. Alexander's committee. In view of your recommendation that we should not send in our replies to this committee with a refusal to answer questions Nos. 1 and 2, we beg to make the following answers to these two questions, and we shall be obliged by your putting forward a copy of this letter with the statement.

The American & Australian Steamship Line is a party to an oral agreement with other steamship lines with reference to the operation of a steamship service between the port of New York and ports in Australia and New Zealand. The agreement is not in writing. It is a cooperative agreement in the nature of a partnership between the United States & Australasia Steamship Co. (an American corporation), the United Tyser Line (a joint service of English and German subjects), and the American & Australian Steamship Line. Tonnage for the trade is furnished by the different parties to the agreement as follows: 42½ per cent by the American & Australian Line, 35 per cent by the United Tyser Line, 22½ per cent by the United States & Australasia Co.

There is no division of traffic or territorial division of routes. The vessels are loaded in turn, as far as practicable, though the situation of the steamers of the interested parties sometimes results in one of the parties loading two or more steamers in succession. About 40 sailings from New York are made during the year. The rates are agreed on by the agents in New York, having regard to the foreign freight rates to Australia and New Zealand ports and the world price, i. e., the current market price, for hire of steamers, and are uniform for all the lines. The rates are uniform for all shippers. Where contracts are made with large shippers for fixed periods, small shippers are permitted to contract on the same basis of rates and terms. Rates established by agreement are subject to change only by agreement. The profits or losses to the lines are pooled and divided in the proportions above stated for the supplying of tonnage. There is no provision in the agreement for the discontinuance of any service between New York, Australia, and New Zealand by either of the lines, or by any party to the agreement. No provision has been made for meeting the competition of other lines. The agreement as to the proportion of tonnage to be furnished by the respective parties is not a limitation upon the tonnage. It merely provides that such tonnage as the trade requires is to be furnished by the parties in the proportions stated. There are no deferred rebates in the trade.

Yours, faithfully,
For the American & Australian Steamship Line:

G. FELIX HARRIS.

THE AMERICAN & AUSTRALIAN STEAMSHIP LINE,
London, E. C., 7th March, 1913.

MESSRS. CONVERS & KIRLIN,
New York City, United States of America.

DEAR SIR: Mr. Alexander's committee. In connection with our letter of even date, we think that we should also disclose to this committee that there is an oral understanding between ourselves and the other lines mentioned in our previous letter on the one part, and the White Star Line on the other part, to the effect that the measurement cargo carried by them from New York via Liverpool for Australia shall not exceed one-fourth of the aggregate measurement cargo taken from New York by us all.

The White Star Line are free as to the rates they may quote and do not pool with us.

Yours, faithfully,
For the American & Australian Steamship Line:

G. FELIX HARRIS.

MEMORANDUM OF AGREEMENT BETWEEN STEAMSHIP COMPANIES ENGAGED IN THE
NEW YORK-INDIAN TRADE.

NEW YORK, April 16, 1913.

HON. J. W. ALEXANDER,
Chairman Committee on the Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: By direction of the American & Indian Line, we beg leave to submit herewith, in their behalf, the answers of the line to the questions contained in the printed pamphlet issued by the committee, and addressed to this line in care of Messrs. Norton & Son, agents in New York.

Yours, faithfully,

CONVERS & KIRLIN.

AMERICAN & INDIAN LINE.

Memorandum as to answers to questions 1 and 2 of Alexander pamphlet.

The American & Indian Line is a joint service operated by Bucknall Steamship Lines (Ltd.) and the Hansa Line, of Bremen, outward and by those lines and Andrew Weir & Co. homeward for joint account.

The service has been worked on the conditions of an agreement between Bucknall Steamship Lines (Ltd.) and Hansa Line, made in 1901, but which lapsed in 1908, since which time the working of the lines is based on friendly understanding and is informal.

The salient points of the understanding are that tonnage has to be provided in the westward service in equal proportions by the two companies; that the earnings of the steamers westward are pooled, and after making certain out payments the results are equally divided. This arrangement was modified in 1909 by an arrangement for Messrs. Andrew Weir & Co. sharing in the trade westward as to six sailings per annum, and copy of the agreement thereon is supplied herewith.

The outward service is conducted entirely by Bucknall Steamship Lines and the Hansa Line. Tonnage for outward trade is furnished by the lines in the following proportions: Bucknall Steamship Lines, 25 per cent; Hansa Line, 75 per cent.

There is no division of traffic or territorial division of routes, nor any provision for the discontinuance of an existing service, nor for meeting the competition of other lines. There is no regulation regarding the time or number of sailings or any limitation upon sailings. The object is to provide all the tonnage necessary for the trade.

Tonnage for the homeward service is furnished in the following proportions: Bucknall Steamship Lines and Hansa Line 50 per cent each after providing for six sailings per annum by Andrew Weir & Co.

Freight rates on the outward service are fixed and changed by the agents in New York, and are, so far as possible, uniform for all shippers. There is no deferred-rebate system in the outward trade.

Freight rates on the homeward service are fixed and changed by Indian agents in consultation with London principals, and are uniform for all shippers, having regard to the nature and description of their shipments. There is a deferred-rebate system on a portion of the trade, viz, that which is booked in the East, the rebates being about 10 per cent.

The lines are not concerned in passenger traffic on this service.

MEMORANDUM OF AGREEMENT BETWEEN STEAMSHIP LINES ENGAGED IN THE NEW YORK-SOUTH AFRICAN TRADE.

NEW YORK, April 16, 1913.

HON. J. W. ALEXANDER,

Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: By direction of the Bucknall Steamship Lines (Ltd.), we beg leave to submit herewith the answers of that line to the questions contained in the printed pamphlet issued by the committee.

The Bucknall Steamship Lines (Ltd.) are interested in the American & Foreign Steamship Line, the American & Australian Line, the American & Indian Line, and the American & Manchurian Line, and for convenience the list of steamers operated by the Bucknall Steamship Lines (Ltd.) in all those services is included in this pamphlet. Reference is being made in the other pamphlets to this pamphlet for the list of the steamers.

We trust, in the circumstances, that this will be satisfactory.

Yours, faithfully,

CONVERS & KIRLIN.

BUCKNALL STEAMSHIP LINES (LTD.).

Memorandum as to answers to questions 1 and 2 of committee's schedule.

In addition to the agreements referred to in the pamphlets returned to the committee by the American & Australian Line, the American & Indian Line, and the American & Manchurian Line, the Bucknall Steamship Lines (Ltd.) is a party to an understand-

ing in the outward trade between the United States and South and East Africa. There is not at present any written agreement. Particulars of the present working arrangement, based upon previous agreement which expired in 1909, have been furnished to the committee by the Union Castle Mail Steamship Co. (Ltd.), which is one of the parties to the arrangements.

The parties to the understanding are the American & African Line, operated jointly by the Bucknall Steamship Lines (Ltd.) and the Union Castle Mail Steamship Co. (Ltd.); the Union-Clan Line, operated by Cayzer, Irvine & Co., and Union Castle Mail Steamship Co. (Ltd.); the Hansa Line of Bremen; the Houston Line, and the Prince Line. The proportion of tonnage furnished by the respective parties in pursuance of the understanding at this time is as follows: Union Castle Mail Steamship Co. (Ltd.), two-sevenths; Bucknall Steamship Lines (Ltd.), one-seventh; Clan Line, one-seventh; Hansa Line, one-seventh; Houston Line, one-seventh; Prince Line, one-seventh.

There is no division of traffic or territorial division of routes. The understanding does not provide for the discontinuance of any service or for meeting the competition of other lines. There is no regulation or limitation as to the time or number of sailings, the object being to provide all sailings required to take care of the trade. The tonnage to the extent required is furnished by the parties in the proportions above referred to, at regular intervals, so as fully to supply the needs of the trade. The rates of freight are fixed in London and are uniform to all shippers, based on the prevailing scale of freight rates on European services to South and East Africa.

There are no deferred rebates in this trade.

The freights collected in this service are transmitted to the principals by the agents of the respective parties and are by the principals pooled abroad, the basis being that after provision is made for certain out payments to meet the cost of running the steamers, the balance is settled in the above proportions.

The Bucknall Steamship Lines (Ltd.) is also interested in the Bombay American Line in association with the Hansa Co. of Bremen and Andrew Weir & Co. of London. This line is managed through Messrs. Andrew Weir & Co., who no doubt will have given the desired particulars.

The Bucknall Steamship Lines (Ltd.) is also interested in occasional steamers calling at United States ports on chance business otherwise than in connection with the above regular services, which, it is understood, do not come within the purpose of the present inquiry.

The lines are not concerned in passenger traffic on these services.

MEMORANDUM OF AGREEMENT BETWEEN STEAMSHIP LINES ENGAGED IN THE AMERICAN-ORIENTAL TRADE.

NEW YORK, April 16, 1913

HON. J. W. ALEXANDER,
Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: By direction of the American & Manchurian Line we beg leave to submit herewith, in their behalf, the answers of the line to the questions contained in the printed pamphlet issued by the committee and addressed to this line in care of Messrs. Norton & Son, agents in New York.

Yours, faithfully,

CONVERS & KIRLIN.

AMERICAN & MANCHURIAN LINE.

Memorandum as to answers to questions 1 and 2 of committee's schedule.

The American & Manchurian Line is operated by the Bucknall Steamship Lines (Ltd.) and is working eastward to the Far East as an independent line. The other lines going over the same route and with whom the American & Manchurian Line is in friendly working are: United States, China & Japan Line; American & Oriental Line; American & Asiatic Steamship Co.; Barber Line.

There are certain agreements in this trade which have already been furnished to the committee by other parties. The American & Manchurian Line is not a signatory party to those agreements. This understanding does not provide for any division of traffic or territorial division of routes or for the discontinuance of any service, nor for meeting competition of other lines. It does not regulate the time nor number of

sailings between designated ports. The parties to the agreement furnish all the tonnage that is required for the trade of the associated lines and the Bucknall Steamship Lines furnish the tonnage required for the trade of the American & Manchurian Line. This tonnage is furnished in the following proportions: American & Manchurian Line, eleven-thirty-sixths; the United States, China & Japan Line, the American & Oriental Line, the American & Asiatic Steamship Co., and the Barber Line together, twenty-five-thirty-sixths.

The American & Manchurian Line does not pool the freight with the other lines in this service. It retains its own earnings. Outward freight rates are fixed in New York. It is the intention of the agreement that all the lines shall charge the same freight rate outwards and the rates are uniform to all shippers. There are no deferred rebates in the eastward service.

The American & Manchurian Line works the westward service under an agreement with the following parties: United States, China & Japan Line; American & Oriental Line; American & Asiatic Steamship Co.; Dodwell & Co. (Ltd.). Copy of the agreement has already been furnished to the committee.

There is a deferred rebate in the homeward trade and is paid to shippers in the Far East; the rebate is 10 per cent except upon sugar, on which cargo it is 5 per cent. The homeward freights of the associated lines are pooled by the principals abroad, and after making provision for certain out payments to meet the cost of running the steamers the balance is settled in the proportions set forth in the agreement.

The freight rates homeward are fixed by agreement between the parties abroad and are uniform for all shippers.

The lines are not concerned in passenger traffic on this service.

LETTER FROM MR. W. G. SICKEL EXPLAINING THE HAMBURG-AMERICAN LINE'S INCREASE IN CAPITALIZATION.

HAMBURG-AMERICAN LINE,
New York, May 1, 1913.

HON. J. W. ALEXANDER,
*Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: Referring to Dr. Huebner's letter of March 25, wherein he asks if any increase in the stock of the Hamburg-American Line, which has taken place from time to time, represented the capitalization of accumulated surplus, our records show that since the inception of our company, which was in 1847, every increase of capital represented actual money paid in, with one exception, and that was in 1854 when the capital was in the previous year only 385,000 marks banko, in which year (1853) 28 per cent dividend was paid—8 per cent in cash, 20 per cent in new shares. From the total increase of capital stock in 1854, amounting to 803,400 marks banko, 726,400 marks banko were paid into the company by the stockholders, and only 77,000 marks banko, 20 per cent on 385,000 marks banko, was a capitalization of earnings.

Detailed statement showing capital stock of the company 1847 to 1912, inclusive, is as follows:

	Marks banko.		Marks banko.
1847.	310,000	1860.	2,000,000
1848.	330,000	1861.	2,000,000
1849.	355,000	1862.	2,000,000
1850.	355,000	1863.	2,000,000
1851.	385,000	1864.	2,000,000
1852.	385,000	1865.	2,000,000
1853.	385,000	1866.	2,490,500
1854.	1,188,400	1867.	3,300,000
1855.	2,000,000	1868.	3,500,000
1856.	2,000,000	1869.	4,000,000
1857.	2,000,000	1870.	5,000,000
1858.	2,000,000	1871.	6,400,000
1859.	2,000,000	1872.	7,000,000

	Reichsmarks.		Reichsmarks.
1873.....	12,750,000	1893.....	30,000,000
1874.....	16,500,000	1894.....	30,000,000
1875.....	22,500,000	1895.....	30,000,000
1876.....	22,500,000	1896.....	30,000,000
1877.....	15,000,000	1897.....	45,000,000
1878.....	15,000,000	1898.....	50,000,000
1879.....	15,000,000	1899.....	65,000,000
1880.....	15,000,000	1900.....	80,000,000
1881.....	15,000,000	1901.....	80,000,000
1882.....	15,000,000	1902.....	100,000,000
1883.....	15,000,000	1903.....	100,000,000
1884.....	15,000,000	1904.....	100,000,000
1885.....	15,000,000	1905.....	100,000,000
1886.....	15,000,000	1906.....	120,000,000
1887.....	30,000,000	1907.....	125,000,000
1888.....	30,000,000	1908.....	125,000,000
1889.....	30,000,000	1909.....	125,000,000
1890.....	30,000,000	1910.....	125,000,000
1891.....	30,000,000	1911.....	125,000,000
1892.....	30,000,000	1912.....	150,000,000

The above tabulation should be read in connection with the company's dividend record as inclosed in our letter to you of March 24.

In further explanation, in 1872 or 1873, the German currency, formerly mark banko, was converted into reichsmark on the basis of $1\frac{1}{2}$ for 1, and in the same year a paid-in increase of capital was made which worked out thus—

Capital in 1872.....	marks banko..	7,000,000
Converted into new currency.....	reichsmarks..	10,500,000
New paid-in capital.....	do.....	2,250,000
Capital in 1873.....	do.....	12,750,000

In explanation of the reduction of capital stock in 1877. To cover the deficits of several previous bad years, the capital was scaled down to a mark banko basis, although the capital stock of the company still stood in reichsmarks.

I think Dr. Huebner's questions are now thoroughly answered. Only once was accumulated surplus capitalized, and that for a very small amount, and once in the history of the company when the capitalization was fairly large it was scaled down $33\frac{1}{2}$ per cent to meet previous years' losses.

Yours, faithfully,

W. G. SICKEL,
Vice Director Hamburg-American Line.

LIST OF RECOMMENDATIONS FOR LEGISLATION SUBMITTED TO THE COMMITTEE BY MR. A. H. BULL.

1. All railroad rates to and from any water terminals to be the same to all steamers, whether the rate is a local one to the terminal or whether it is part of a through rate.
2. Railroads to furnish terminals, sidings, docks, etc., to all steamers on equal terms and conditions on a reasonable basis.
3. In future all railroads to be prohibited from paralleling their rail lines, either in whole or part by water transportation, such water lines now owned by railroads that now parallel in whole or part the land rails to be permitted to continue.
4. Steamship lines or railroads to be prohibited from buying up competing lines.
5. Steamship companies not to be allowed to cut their rates below a remunerative figure for the sole purpose of driving out competition.
6. Competitive lines to file with the shipping commission a schedule of operating expenses in order to enable the commission to determine their cost of doing business.
7. No steamship company or railroad company to occupy more wharf or berth room than is absolutely required in cities where berth room is congested, and no steamship company or railroad in such congested districts shall be permitted to leave goods on storage on such docks; all deliveries to be made within a reasonable time or go into public stores.

8. Shipping commission to have full power to regulate rates, etc., along the lines of the Interstate Commerce Commission, with the exception on commodities that are carried where only two or three commodities comprise the full ship. This to be left open to free competition, provided none of this competition is done for the sole purpose of injuring a third person or driving them out of business.

9. The commission should have unlimited powers of investigation, and it should be their duty to investigate any complaint.

LETTER ADDRESSED TO THE COMMITTEE BY A. EMILIUS OUTERBRIDGE, OF MESSRS.
A. E. OUTERBRIDGE & CO.

[A. Emilius Outerbridge & Co., agents for Quebec Steamship Co. (Ltd.), New York, Bermuda & West India Line, No. 20 Broadway.]

NEW YORK, May 9, 1913.

HON. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: In reply to your favor of May 2, received during my absence at Bermuda, I have pleasure in informing you that for many years, during which our line to Bermuda has been under contract with the Bermuda Government, and also with the Imperial Government, it has been customary to arrange a rate of freight, on the basis of the quantity received by each importer, on the principle established in this country for carload lots and small quantities.

We hand you herewith for your information the original circular issued yearly and published in the Bermuda newspapers, and also original statement of rebates of the year 1912; also an extract from a letter received from the agents of the Quebec Steamship Co. at Bermuda, who are merchants there of many years' standing, on the subject of the system of arranging a rate of freight based upon the quantity imported by each individual.

The total population of Bermuda is about 17,000, and you will see from the papers herewith that the business is almost entirely a retail one and that the orders for purchases in this country emanate entirely from the merchants and grocers scattered throughout the islands. Everything in connection with the business is entirely open, and the Colonial Government is a party to the arrangement. For many years past there has been no change in the initial rate of freight, which has been, in round figures, 50 cents per barrel. On freight from Bermuda to New York, which is entirely of a perishable nature and only shipped between December and June, no refunds have been made for many years, as that trade has principally been in the hands of about half a dozen commission merchants in New York City.

In regard to the trade between New York and Guadeloupe and Martinique, the principle for fixing a rate of freight has been the same, the initial rate being established and an adjustment made at the end of each six months, based upon the quantity shipped. This also is a very limited business, and has for more than 30 years been in the hands of a few so-called West India merchants.

These agreements between the shippers and ourselves were originally entered into to protect the shippers and the steamship owners from occasional virtual blackmailing attempts on the part of sporadic tramps, at times when general freighting was very dull, to lay on at very low rates of freight, to the injury of a large number of small importers in the West Indies who are dependent upon the regular transportation arrangements for their little supplies, and also to the injury of the regular steamship owners.

This contract, of which we send you a copy, has always been open to the inspection of every shipper in the trade and has been accepted by such shippers as have freight to send to Guadeloupe and Martinique in any considerable quantity.

You will note that these are not deferred except for the purpose of ascertaining the amount of freight on which the rate is dependent.

We have no complaints from any of the trade as to the moral of these West India contracts, and they were virtually the outcome of several meetings with different members of the trade.

The amount that each shipper may send depends in no way upon the rate of freight, as all have the same opportunity, but the amount of shipments does vary considerably between the merchants, owing to the amount of credit that the different firms may be willing to give to the West India importers, and also upon the cleverness or lack of cleverness of the buyers employed by the New York merchants.

In the case of the West Indies, while as far as we know all shipments are made upon order and for the account and risk of the importers in the West Indies, our experience made it necessary to have the freights prepaid, as in these foreign islands we found it often impossible to collect our freights when shipped C. O. D.

We mention this as a distinction from Bermuda, where there are Government warehouses and in which all freight may be stored if the consignee does not promptly pay the freight due.

Yours, truly,

A. EMILIUS OUTERBRIDGE.

CIRCULAR ANNOUNCING THE SYSTEM OF REBATES GRANTED BY THE QUEBEC STEAMSHIP CO. (LTD.) IN THE NEW YORK-BERMUDA TRADE.

The Quebec Steamship Co. (Ltd.) hereby begs to inform importers that at the end of the current year they will pay each importer (except as enumerated below) the following rebates on all freight imported by him from New York by steamers of their line during the year 1912, provided he shall adhere to the steamers of the Quebec Steamship Co. (Ltd.) and the Royal Mail Steam Packet Co. for all his importations from New York throughout that period:

	Per cent.
On freight paid amounting to \$100 and less than \$1,000.....	10
On freight paid amounting to \$1,000 and less than \$1,500.....	15
On freight paid amounting to \$1,500 and over.....	20

No rebate will be paid on "through" freight from England, Canada, or other ports, except when paying New York tariff rates, nor on freight brought in chill rooms, live stock, gasoline, naphtha, and coal.

No rebate will be paid to any importer who directly or indirectly imports goods from New York by vessels other than the steamers of the Quebec Steamship Co. (Ltd.) and the Royal Mail Steam Packet Co.

Tariff of freight can be obtained at the offices of the agents at Bermuda and New York.

Transport either by sailing vessel or freight steamer for coal, gasoline, and naphtha will be provided during the fall at current market rate of freight.

WATLINGTON & CONYERS, Agents.

HAMILTON, BERMUDA, January 1, 1912.

AGREEMENT BETWEEN MESSRS. A. E. OUTERBRIDGE & CO., AGENTS OF THE QUEBEC STEAMSHIP CO. (LTD.), AND MESSRS. A. D. STRAUS & CO., OF NEW YORK, SUBMITTED BY A. EMILIUS OUTERBRIDGE.

Agreement made between Messrs. A. E. Outerbridge & Co., of New York, agents of the Quebec Steamship Co. (Ltd.), and Messrs. A. D. Straus & Co., of New York.

Messrs. A. D. Straus & Co. agree that all their freight from the port of New York to Pointe-a-Pitre, Fort-a-France, and Basse Terre, in which they may be interested directly or indirectly, shall be shipped by the steamers of the Quebec Steamship Co. (Ltd.), and they shall neither ship nor cause to be shipped any freight by other steamers or by sailing vessels from New York to such ports of Pointe-a-Pitre, Basse Terre, and Fort-de-France, except coal and superphosphates.

A. E. Outerbridge & Co., agents, agree to furnish at least two sailings per month and receive and carry all the freight of Messrs. A. D. Straus & Co. in such quantities as they may desire, provided there be room in their steamers, at the time application is made, for such freight.

A. E. Outerbridge & Co., agents, are not obligated to send more than one steamer a month to Basse Terre, and not at all for less than 1,000 barrels at their 60-cent tariff.

The freight on all bills of lading, except to Basse Terre, shall be computed and paid at the time of signing such bills of lading at the general rate of the Quebec Steamship Co., which is now 50 cents tariff, or not to exceed said tariff of 50 cents.

Messrs. A. D. Straus & Co. guarantee to the Quebec Steamship Co. (Ltd.), a minimum quantity of 3,500 tons of cargo, say 28,000 barrels bulk, per annum to Martinique, and a minimum quantity of 3,000 tons, say 24,000 barrels bulk, per annum to Guadeloupe; but it is understood that failure to ship the quantity guaranteed to either one of the two islands will not operate against the rebate of freight to the other island, and that failure to ship the quantity guaranteed to either or both islands will not operate as creating responsibility for dead freight, or damages or otherwise, on the part of Messrs. A. D. Straus & Co., but simply as affecting rebates hereunder.

A. E. Outerbridge & Co., agents, agree to refund to Messrs. A. D. Straus & Co., at the end of each six months, the difference between freight paid at the time of shipment and the actual freight, to be computed as per this contract, all subject to the terms of this contract having been faithfully carried out, but in case Messrs. A. D. Straus & Co. should not carry out this agreement for the term of the contract, then in that case any rebates paid shall be refunded to A. E. Outerbridge & Co., agents.

A. E. Outerbridge & Co., agents, agree that in case of Messrs. A. D. Straus & Co. complying with the conditions of this contract, as to the minimum quantity of cargo to be shipped, and all other conditions, to pay a rebate equal to 10 cents per barrel on general cargo, or if the minimum quantity is not shipped, they will pay a rebate based upon the percentage the quantity shipped bears to the minimum mentioned, or they will pay an additional rebate of 5 cents per barrel on any surplus over the minimum, not exceeding 10,000 barrels in all.

Nothing in this contract shall be construed to bind A. E. Outerbridge & Co., agents, to pay a rebate which would reduce the net amount of freight below the 20-cent tariff of the Quebec Steamship Co.

In explanation of the immediately preceding clause, it is understood that if in the event of opposition by steamer or sail at any time Messrs. A. E. Outerbridge & Co., agents, accept freight at less than the 50-cent tariff the rebate to be paid will be reduced so that the net rate will not be less than the 20-cent tariff.

No rebate will be paid on lumber, shooks, staves, or fertilizer, which are taken at special rates, as follows:

Lumber.....	per M under deck..	\$6. 50
Lumber.....	per M on deck..	6. 00
Shooks.....	per cubic foot..	. 07
Staves 35/38.....	per 1,200 pieces..	12. 50
42/44.....	do.....	14. 00
Heading 24.....	do.....	10. 50
Fertilizer.....	per ton of 2,240 pounds..	3. 50

but the quantities of such freight will be included in making up the minimum.

All the freight rates above mentioned are subject to 5 per cent primeage.

Messrs. A. D. Straus & Co. agree not to give any portion of the rebate they receive from the Quebec Steamship Co. to any client in Martinique or Gaudeloupe who shall import any freight from New York by any other vessel than the Quebec Steamship Co.'s.

Any and all questions arising under this agreement shall be determined by arbitration in New York, A. E. Outerbridge & Co., agents, to appoint one arbitrator, Messrs. A. D. Straus & Co. another arbitrator, and the two arbitrators to select a third. The award of the majority of the arbitrators to be final and binding upon both parties hereto.

This contract is made for a period of one year from the 28th day of February, 1908, until February 28, 1909, and is to remain in force thereafter until 30 days' notice of cancellation has been given to either party.

New York, February 17, 1908.

A. E. OUTERBRIDGE & Co.,
Agents Quebec Steamship Co. (Ltd.).
A. D. STRAUS & Co.

EXTRACT OF LETTER FROM WATLINGTON & CONYERS, SUBMITTED TO THE COMMITTEE
BY A. EMILIUS OUTERBRIDGE.

BERMUDA, April 23, 1913.

With reference to the sliding scale of rebates enabling the trade to become monopolized by the firms enjoying the best terms, facts, as far as this trade goes, do not bear out this opinion; for the past seven years rebates have been distributed as follows:

Years.	Persons.		
	20 per cent.	15 per cent.	10 per cent.
1906.....	12	6	57
1907.....	12	8	61
1908.....	10	5	69
1909.....	7	12	56
1910.....	4	4	47
1911.....	12	9	72
1912.....	15	10	85

This demonstrates that instead of the small trader being diminished he is fostered and increased. What applies to other places seldom applies to Bermuda, and we feel sure that while the sliding scale of rebates controls the trade, it at the same time metes out to each trader a rate proportionate to his business energy and enterprise, which appear to us in these days of bank facilities to be the main requisite in placing the small trader on a par with the capitalist.

Remove the rebates or establish a common one to all, irrespective of volume of importation, and the large dealer will be driven to some means of placing himself at an advantage, which he will secure by taking every opportunity from November to May of either individually or in combination arranging for independent transportation; the result would be that their stocks would be placed at charges lower than the small trader could secure, and it would follow that the latter would not only be damaged, but the regular lines would be driven to meet the conditions by temporary reductions. That doubtless would outweigh any advantages gained by the temporary changes now proposed.

While we quite appreciate that elsewhere rebates are injurious, we are convinced that with us under the arrangements that now exist they are fair and above board; we have no personal interest in the matter beyond the parties we represent, and our opinions are advanced honestly with that view.

LETTER FROM MESSRS. A. D. STRAUS & Co., EXPLAINING THE REBATE SYSTEM AND
OTHER CONDITIONS IN THE TRADE FROM NEW YORK TO BERMUDA AND THE WEST
INDIES.

A. D. STRAUS & Co.,
18 BROADWAY (P. O. Box 552),
New York, May 5, 1913.

J. W. ALEXANDER, Esq.,
Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

HONORABLE SIR: We beg to acknowledge receipt of your favor of the 2d instant and ask your indulgence to recapitulate conditions, past and present, of the trade with the West India Islands.

In speaking of the West India Islands, we exclude Cuba and Porto Rico, which are in a class by themselves, the former because of preferential treaties, the latter because of its being American territory.

In writing of the West Indies, therefore, we refer to the Virgin Islands, the Windward and Leeward Islands, including British, Dutch, and French Guiana; in other words, the chain of islands forming the eastern boundary of the Caribbean Sea and the Guianas.

This trade, after successively changing from Sag Harbor, Baltimore, New Haven, and Boston, finally centered in New York, changing by a natural evolution, from a sailing-vessel trade to transportation by steam.

The Quebec Line, a Canadian company, were first to start, about 1874, two small steamers, of about 600 tons capacity, to these islands. Cable communications favored the smaller importer and gradually led to an increase of business at the expense of sailers and enabled the Quebec Line to run four steamers of increased capacity, thus making a weekly line to the islands.

The increase of business naturally attracted the attention of other steamship owners and led to various attempts, during the last 25 years, of competitive lines, which were all driven out by a savage competition on the part of the Quebec Line and finally by an arrangement, perfected in England, with what is called the "Conference Lines" and which is in reality an attempt to divide the trade, which American merchants built up during a century at great risk and expense, to the detriment of both shipper and importer, and for the exclusive benefit of the steamship lines entering into this unlawful combination.

When, in competition with the Quebec Line, the Trinidad Trading & Shipping Co. started a direct line to Trinidad, the Quebec Line reduced their rate to 20 cents per barrel, with the result that such an enormous quantity of freight, formerly going by sail, was offered, that they were unable to handle it, and, by the very savagery of this competition, changed the trade to Trinidad from sail to steamer, and because of their inability to carry the freight offering, secured it for the Trinidad Trading & Shipping Co. at what the trade has generally considered a fair rate.

This line now runs three steamers from New York to Grenada and Trinidad at 10 days' interval, and although belonging to the Conference Lines, has advanced their rates moderately only.

The complaint against the Trinidad Line consists in the fact that the shippers from Trinidad of sugar and cocoa have to bind themselves to ship exclusively by the Trinidad and Dutch Lines, or forfeit a refund, thus making it impossible for them to avail themselves of the opportunities offered to them by the Prince Line, which carries cocoa at 15 cents per 100 pounds, as against the rate of the Trinidad and Dutch Lines of 30 cents per 100 pounds.

About five years ago, at the request of the colony of Suriname, the Dutch Government offered a large subsidy to a line of steamers built for the fruit-carrying trade, the cocoa trees in Suriname having suddenly been attacked with a destructive disease, the United Fruit Co. agreeing to take all the bananas shipped by these steamers at a stipulated rate of freight and to eventually take over the steamers at first cost.

These steamers were to stop on their outward trip at Barbados, Trinidad, Demerara, and Suriname, and when they got into service they were found so far superior to the steamers thus far employed in this trade, that there was every reason to believe they would get the monopoly of the business.

Messrs. Outerbridge & Co., confronted by a line which they could not drive off by their usual methods, joined hands with them, canceled former agreements they had with Barbados and Demerara merchants and, jointly with the Dutch Line, raised their rates from 27½ cents to Barbados and 35 cents to Demerara to 45 cents per barrel.

The Dutch steamers two months ago passed over to the United Fruit Co., under the above arrangement, and are now employed principally in the Central American fruit trade, but so profitable has this arrangement proved to the agents that they are now continuing this business with chartered steamers.

As a matter of fact, Messrs. L. W. & P. Armstrong, who were running an independent line, have been obliged to give up the charter of the *Uller*, which was promptly taken up by the agents of the Royal Dutch West India Mail, and it was thus reserved to the Quebec Line to drive New York out of the West India trade, through an illicit combination with the Pickford & Black Line, of Canada, with whom they maintained a uniform schedule of rates, entirely forgetful of the fact that a Canadian railroad, being interested in the Pickford & Black Line, makes very low rates of freight from southern Canada to Halifax, so that, as a matter of fact, Ontario goods can be shipped via Halifax at 10 cents per barrel less than they can be shipped via New York.

In a former letter we pointed out to you that the high rates now guaranteed by the "conference" to the South American steamship lines, formerly in sharp competition with each other, enabled them to take return freight at a nominal rate only and to deliver, on their homeward trip, Argentine produce such as flour, oats, bran, pollard, corn, and cornmeal, at Trinidad and Barbados, to the exclusion of American goods which for nearly a century found a profitable outlet to these islands.

We think it essential to put these conditions before you before entering upon the reply to your favor, so that the matter will be fully understood by your committee.

As to the French West Indies, which comprises the islands of Guadeloupe, Martinique, and the colony of Cayenne, this trade has been most valuable to American manufacturers and millers, and in spite of all efforts of the French Government to divert the trade to France by onerous taxations of American goods under what is called a "tarif

metropole," it was found impossible, by reason of the geographical position, as well as the lower cost of the goods, to divert this trade from New York.

We may instance to you the fact that Guadeloupe and Martinique bakers are obliged to take a certain percentage of French flours and evade the law by keeping a certain quantity of French flours in their bakery untouched as dead stock and a blind, while at the same time importing American flours for actual use.

To the contract with the Quebec Line, we have been parties ourselves, from compulsion rather than from choice; while at first it seemed to work satisfactorily, it led to the establishment of a West India line, the Seeborg Line from Mobile, which, running in combination with a southern railroad, practically follows the doctrines of the Pickford & Black Line and has succeeded in diverting the bulk of the New York business to Mobile.

Since the beginning of the agitation about rebates and conference lines, we came to the conclusion that such arrangements are unlawful, that we can not accept refunds without laying ourselves open to a charge of breaking the laws, and we have notified Messrs. Outerbridge that these contracts must be abolished, while at the same time we have refused to accept a rebate.

We claim that rates must be net and uniform to all shippers.

They seem to prefer being sued, and I believe your committee will be quite able to accommodate them in this desire.

We inclose you copy of the contract, in which the object to stifle competition is so plainly set forth that we feel justified in claiming that it is in direct violation of the Sherman Act, and when we stated that the contract operates in favor of one shipper only, we desire to direct your attention to a clause in which staves, lumber, and estate stores, while not participating in the refund, are to be figured as forming part of the bulk of freight upon which the refund is payable and earned.

As these goods form nearly one-half of the Martinique and Guadeloupe freights, you can at once see that the shipper of these goods receives upon the general merchandise a refund far in excess of what any other shippers receive, and they therefore easily succeed in killing our and other merchants' Martinique and Guadeloupe trade.

We shall be very glad indeed to have you return the contract to us with your opinion as to whether our position is correct, and if we are justified in accepting the refund which we have thus far declined to receive.

We are, honorable sir,

Yours, very truly,

A. D. STRAUS & Co.

AGREEMENT BETWEEN MESSRS. A. E. OUTERBRIDGE AND THE AGENCIES OF MIDDLETON & Co., AMERICAN TRADING Co., AND A. D. STRAUS & Co.

This agreement is made between Messrs. A. E. Outerbridge & Co., of New York, agents of the Quebec Steamship Co. (Ltd.), and the agencies of Middleton & Co., American Trading Co., and A. D. Straus & Co., of New York, at Guadeloupe and at Martinique.

The agencies of Middleton & Co., American Trading Co., and A. D. Straus & Co. at Guadeloupe and Martinique agree that all their freight from the port of New York to Martinique or Guadeloupe, in which they may be interested directly or indirectly, whether ordered through the New York firm or shipped to them direct by manufacturers or millers, shall be shipped by the steamer of the Quebec Steamship Co. (Ltd.), and they shall neither ship nor cause to be shipped any freight by other steamers or by sailing vessels from New York to such ports of Pointe a Pitre, Basse Terre, and Fort de France. A. E. Outerbridge & Co., agents, agree to furnish at least two sailings per month and receive and carry all the freight of the agencies of Middleton & Co., American Trading Co., and A. D. Straus & Co. at Guadeloupe and Martinique in such quantities as they or their agents may desire, provided there be room in their steamers at the time application is made for such freight.

A. E. Outerbridge & Co., agents, are not obligated to send more than one steamer per month to Basse Terre, and not at all for less than 1,000 barrels.

The freight on all bills of lading shall be computed and paid at the time of signing such bills of lading, at the general rate of the Quebec Steamship Co. (Ltd.) then prevailing. The prevailing rate at the present time will be 40 cents to Martinique and Pointe a Pitre, Guadeloupe, and 50 cents to Basse Terre, all with 5 per cent primage.

A. E. Outerbridge & Co., agents, have the right to advance or lower the prevailing rate of freight at any time.

The agents of Middleton & Co., American Trading Co., and A. D. Straus & Co. at Guadeloupe and Martinique guarantee to the Quebec Steamship Co. (Ltd.) freight on

a minimum quantity of 3,500 tons cargo per annum to Martinique and on a minimum quantity of 3,000 tons cargo per annum to Guadeloupe. It is understood that failure to ship the quantity guaranteed to either one of the two islands will not operate against the rebate on freight to the other island.

A. E. Outerbridge & Co., agents, agree to refund to the agency of Middleton & Co., American Trading Co., and A. D. Straus & Co. at Guadeloupe and Martinique, at the end of each six months, the difference between freight paid at the time of shipment and the actual freight to be computed as per this contract, all subject to the terms of this contract having been faithfully carried out, but in case the agencies of Middleton & Co., American Trading Co., and A. D. Straus & Co. should not carry out this agreement to its completion, then in that case any rebates paid shall be refunded to A. E. Outerbridge & Co., agents.

A. E. Outerbridge & Co., agents, agree that in the case of the agencies of Middleton & Co., American Trading Co., and A. D. Straus & Co., complying with the conditions of this contract as to minimum quantity of cargo to be shipped and all other conditions, to pay a rebate of equal to 10 cents per barrel of general cargo.

Nothing in this contract shall be construed to bind A. E. Outerbridge & Co., agents, to pay a rebate which would reduce the net amount of freight below the 20 cents tariff of the Quebec Steamship Co. (Ltd.).

In explanation of the immediately preceding clause, it is understood that if, for any reason, at any time, A. E. Outerbridge & Co., agents, accept freight at less than the 30 cents tariff, the rebate to be paid will be reduced so that the net rate will not be less than the 20-cent tariff.

Any and all questions arising under this agreement shall be determined by arbitration in New York, A. E. Outerbridge & Co., agents, to appoint one arbitrator; Middleton & Co., American Trading Co., and A. D. Straus & Co., acting for their agencies in Guadalupe and Martinique another arbitrator; and the two arbitrators to select a third. The award of the majority of the arbitrators to be final and binding upon both parties hereto.

This contract is made for a period of three years from this the 15th day of December, 1904, and is to remain in force thereafter until 60 days' notice of cancellation has been given by either party.

A. E. OUTERBRIDGE & CO.,
Agents for Quebec Steamship Co. (Ltd.).

SUMMARY OF REPLIES RECEIVED BY THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES IN ANSWER TO ITS CIRCULAR LETTER OF FEBRUARY 18, 1913, RELATING TO THE ADVANTAGES AND DISADVANTAGES OF STEAMSHIP AGREEMENTS AND CONFERENCES.

[Prepared by S. S. Huebner, expert to the committee]

Exclusive of the complaints presented by witnesses, or otherwise referred to in the hearings under House Resolution No. 587, the committee received, during its investigation, a very considerable number of communications from shippers covering a large variety of grievances. One of the most noticeable features of these communications was the almost universal insistence that the information and all names be held in the strictest confidence, the complainant being fearful of retaliation on the part of the one line, or group of lines, upon whose shipping facilities his business was absolutely dependent. Long before the hearings were concluded it was apparent to the committee that the shippers were very reluctant to express their views openly relative to the subject matter under investigation. At the conclusion of the hearings, therefore, and in view of the contentions of the representatives of the conference lines engaged in the foreign trade, the committee decided, under promise of confidential treatment, to ascertain approximately the extent to which leading shippers indorsed the views of the conference lines' representatives.

In this purpose the committee was encouraged by many of the leading steamship-line representatives of the country, who confidently asserted that steamship agreements and conferences were a benefit to both shipper and shipowner, and that a great majority of importers and exporters would express this view. Accordingly, the following letter was addressed to approximately 2,000 individuals and firms, this number including manufacturing firms exporting largely to foreign markets, as well as all the importing firms and exporting commission houses, forwarders, brokers, and managers enumerated in the 1912 issue of the American Exporters' Export Trade Directory, for the ports of New York, Boston, Philadelphia, Baltimore, New Orleans, San Francisco, Portland, Seattle, and Tacoma:

FEBRUARY 18, 1913.

DEAR SIR: At the recent public hearings before the Committee on the Merchant Marine and Fisheries (conducted in pursuance of H. Res. 587) a large number of representatives of steamship lines engaged in the American foreign trade have frankly admitted the existence in this trade of written agreements or friendly understandings between the established lines operating in their respective trades for the fixing and maintenance of uniform rates, and not infrequently for the purpose of pooling their business or holding their traffic by means of a rebate system. Considered in its entirety, the testimony shows that, as regards nearly every foreign-trade area, all the established lines operating to and from American ports are working in harmonious cooperation, either through written agreements, conference arrangements, or gentlemen's understandings.

Practically all these steamship representatives have asserted that such agreements or arrangements are a natural evolution, and are necessary for doing the business and giving to the shippers an ample tonnage and an efficient, frequent, and regular service at reasonable rates. Such agreements, they contend, are a protection to the shipper as well as the shipowner. To the shipper they insure desired stability of rates and the elimination of secret arrangements with competitors. To the shipowner they tend to give a dependable return on the investment, thus enabling the lines to provide new facilities for the development of the trade. Such agreements, it was also argued, furnished the means for taking care of the disabilities of the weaker lines, whereas unrestricted competition, based on the survival of the fittest, tends to restrict the development of the lines and in the end must result in monopoly.

Moreover, with reference to the practices of steamship lines, judged from the standpoint of the shipper, the representatives of the conference lines testified as follows:

- (1) That the tonnage and facilities are ample.
- (2) That the rates are reasonable.
- (3) That the rates and service are such as not to operate prejudicially to our commerce as compared with foreign competitive markets.
- (4) That shippers are treated alike, and that special privileges and advantages are not given to some and denied to others.

The foregoing constitutes a brief summary of the essential contentions of the representatives of the conference lines. It is now the purpose of the committee to ascertain as far as possible the extent to which these contentions are indorsed by the patrons of the lines or to what extent exception is taken to the same. With this purpose in view, the committee respectfully requests you to make a frank statement of your views and experiences (with respect to the foregoing) in the several trades in which you are engaged, either as exporter or importer, with the distinct understanding that your communication will be considered confidential. Moreover, if you have in mind any suggestions which you feel the committee should take under advisement in formulating its recommendations to Congress for proposed legislation, I shall be pleased to have you state the same.

. Very truly, yours,

J. W. ALEXANDER,
Chairman.

Two hundred and seventy-nine replies have been received thus far in response to the above-mentioned letter, the majority of the communications expressing in detail the reasons for the approval or disapproval of the contentions outlined in the committee's circular letter. Although a more general response to the committee's request

would have proven more conclusive, the number of answers received is sufficiently large to warrant the belief that an analysis of the same will furnish a reasonably accurate view of the general position taken by the exporting and importing interests of this country as regards the advantages and disadvantages connected with steamship agreements and conferences. This, it is believed, is particularly true since the majority of the replies were furnished by large manufacturers and export commission houses whose business operations extend to many geographic divisions of our foreign trade, and whose many years of experience has given them the opportunity to compare conditions prevailing under both the competitive and noncompetitive system in the shipping business.

LETTERS FAVORABLE TO STEAMSHIP AGREEMENTS AND CONFERENCES AS NOW CONDUCTED.

It should be stated that of the 279 replies received, 52 referred to the fact that the firms represented by the writers do not come in direct contact with the steamship lines, and that the committee's circular letter was referred to their freight brokers, or forwarding agents, who attend to all their exporting business. Of the remaining 227 replies, 117 uphold the contentions advanced by the steamship interests. For the sake of brevity, the views expressed in these letters will be presented in classified form:

1. In 51 letters, or nearly one-half of the replies favorable to steamship agreements, the writers emphasize the fact that to them stability of rates and regular sailings overshadow in importance all other factors. Uniform rates and regular sailings, it is stated, enable them to conduct their business with better results than could be done under a system of throat-cutting competition (and such competition they generally regard as the inevitable result if steamship lines are not allowed to cooperate in some form or another), since as merchants and shippers they are not compelled to grope in the dark as to fluctuations in rates, and are relieved from the speculative risks, and the effects of underhanded discrimination which grow out of any competitive warfare between steamship lines serving the same ports. Briefly stated, steady rates and frequent and regular sailings, it is argued, serve to give to shippers the following advantages:

(a) Remove the inconvenience which would exist if merchants and shippers had to quote different propositions on nearly every consignment, and thus eliminate what was formerly an undesirable speculative risk under the open competitive system. The risks of freight fluctuations are eliminated, and the conference lines seek to give reasonable notice of alterations in rates, and when an increase in rates occurs shippers are allowed to declare outstanding contracts at the lower rate. That the basis of sound and enduring business is cooperation is the general assertion of many merchants. As one states:

We merchants canvass foreign territories in the interest of our American trade. We establish the commercial relations and we give the necessary credits. In return for this we must have the assurance that the articles we introduce are sold by the manufacturers to us at the same prices to each merchant and carried by the steamship at the same rates of freight. This alone will make a uniform selling price in the foreign country, without which the business could not be done profitably.

Moreover, many of the letters assert that it has been the universal experience of the writers that extremely low freight rates, without any agreement as to their being universal and the same to all, lead to constant complaints from buyers abroad, if they do not happen to be on the lowest basis of cost and freight, while if there is uniformity in rates it is seldom that foreign consignees make complaints.

(b) Enable the shippers to work with smaller stocks than they otherwise could, and thus both risks and storage charges are reduced.

(c) Enable shippers and merchants to calculate laid-down costs and sell goods for delivery some months in the future. Sales for future delivery are considered a necessity, and in this respect nothing is regarded so detrimental to the export trade as uncertainty as to sailings and violent fluctuations in freight rates. Again and again the letters assert that the writers have experienced the operations of various rate wars during the past 10 to 15 years and are convinced that the present condition of fixed rates and regular sailing opportunities places all merchants upon the same basis as regards their estimates on contracts, and produces much better results for the exporter and manufacturer than could be possible under the old order of things. It is also explained that during periods of rate cutting the buyers abroad generally pursue a policy of buying from hand to mouth, instead of placing large orders for shipments ahead, because they never know what the goods will cost them by the time they receive the same. Buyers who usually order by the carload, buying the goods at a reduced price, will not do so if they foresee serious fluctuations in prices during the one or more months which they need to dispose of the carload lot of merchandise, and consequently they prefer to buy small lots, even at a greater cost, in order to have a chance to meet their competitors.

2. With comparatively few exceptions, the aforementioned 117 replies consider the present rates charged by the steamship lines, despite their great increase in recent years, as fairly reasonable when compared with charter rates prevailing the world over, and taking into consideration the capital invested, the increased cost of operation, the better character and greater speed of the vessels, the greater regularity of sailings, the maintenance of depreciation and sinking funds, the facilities of the ports of call, and the frequent absence of return cargo. While many of the letters express a desire for a lower level of rates than exists to-day, provided they are uniform, the writers frankly admit that the present high rates, as long as they are steady over considerable periods of time and equally applicable to all without rebates or other special favors, do not militate against them nearly so much as would a lower level of rates, if the same were a fluctuating one and were accompanied by irregularity in sailings. Many of the letters also express the belief that since unreasonable rates would curtail business, the steamship companies, naturally anxious to obtain freight, will take good care not to make their charges higher than would constitute a legitimate profit. The large increase in the number of steamers and in their size during the past 15 years in nearly all sections of our foreign trade is pointed to as best showing the desire of the lines to keep pace with the growth of the country's export business. Moreover, it is the general opinion that exorbitant rates could not be maintained by any combination of steamship lines under present conditions for any length of time for

the reason that steamers can always be chartered, and large merchants would soon get together and charter their own boats. In the main, however, the belief is freely expressed that the rates of the regular lines are generally based on the rates at which charters can be made in the open market, and in many instances the conference-line rates have been below those obtaining in the open market. In addition, it is the general assertion that the regular lines give shippers advantages, as contrasted with tramp steamers. Not only are their rates uniform and their sailings reasonably regular, but their steamers are faster and their service better, and in the main these advantages overbalance the recent increase in rates. While tonnage facilities have of late not always been sufficient for requirements, this shortage is traceable mainly to conditions for which the conference lines can not be held responsible, such as a sudden increase in the exports of bulk freight.

3. Approximately one-half of the total number of replies received by the committee in answer to its circular letter treat in some manner the subject of discrimination between shippers, having in mind mainly the treatment accorded to small as compared with large shippers of freight. Many of the letters, favorable to steamship conferences and agreements, regard this phase of paramount importance and express the belief that, since it is difficult to prove the facts, although one's suspicions may be strong, the committee should give the subject special consideration.

It is noteworthy that nearly every letter favorable to steamship agreements (the position in this respect of the unfavorable letters will be presented later) expresses the belief that it is becoming more generally the rule to treat all shippers alike, irrespective of the volume of their consignments. In a number of instances the writers express their belief that shippers are treated alike by the conference lines, although as large shippers they feel that, economically speaking, they are entitled to have some advantage over the small shippers, and that, therefore, they are not in accord with the general policy of many conference lines to charge equal rates to all.

It is also noteworthy that practically all the letters favorable to steamship agreements, which comment on this phase of the subject, take the view that to maintain equal treatment between small and large shippers it is absolutely necessary that steamship lines should be allowed to cooperate, and that the improvement toward greater fairness between shippers is due to the fact that the lines have cooperated. Competition in the steamship business is regarded in many of these letters as the demoralization rather than the life of trade; as the means of introducing uncertainty instead of certainty, and inefficiency instead of efficiency; and that, inevitably, while all shippers are placed ultimately at a disadvantage through competition, the small shipper fares much worse than his stronger competitor. The following extracts, from a few of the many letters received, are here reproduced, as illustrative of the views shared by important exporting interests who favor steamship agreements and conferences:

Our experience during more than half a century as shipping and commission merchants in the export and import trade has brought us to the belief that the old adage of "Competition is the life of trade" is a fallacy, and we are firmly convinced that more firms and companies have been driven out of business by competition and cutting of rates than by combinations.

We can safely state that we consider the present system of uniform rates to all shippers (which has been generally established in nearly all trades) a decided advantage, as in quoting prices on a cost and freight basis, on which terms the principal export business is done, exporters have the confidence to quote without fearing that some competitor may have preferential treatment as regards the rate of freight. Our own experience is that our business has increased greatly in certain markets since one rate to all has been established.

That rates are reasonable is evidenced by the fact that we receive almost no complaints from our foreign constituents, who are much better satisfied with present conditions, as they are aware they are paying the same rates as their neighbors, and know exactly what landed prices they have to compete with. When excessive competition existed, the complaints from abroad were continuous, as no importer felt sure of landed cost and was always apprehensive his competitor was getting a lower (cut) rate of freight than was obtained by him. We believe that shippers are now treated alike, and that any special rates or advantages are only given in connection with heavy bulk lines, which do not enter into competition with general merchandise. That the present conditions are favorable to the trade in which we are engaged is proved by the great increase in shipments. The growth has been very steady and continuous during the many years we have been in business, and the tonnage supplied has amply kept pace with requirements.

We can easily see if the existing agreements should be ordered to be terminated, as far as business to and from the United States is concerned, that the lines would have to fight for business, unsettle rates of freight by cutting each other's throat, forcing the weak lines out of business, and then charge higher rates than before in order to recover their losses. This is certainly not what we merchants desire.

We are of the opinion that forced competition and a prohibition against reasonable cooperation and assistance with desirable cargo would not only render the conduct of the business more expensive, but in the end result in a practical monopoly by the strongest line.

Unrestricted competition would only result in unsatisfactory service, as the weaker lines would be driven out, and the remaining line would not only have to raise the rates to a paying basis, and get back the money it had lost in maintaining this fight; but at last, having a monopoly of the business, it would be tempted and assuredly would raise the rates higher than ever. In the meantime vessels, owing to low margins of profits, would be liable to be kept in poor condition, which would result in slow delivery of freight.

We wish to mention that the cooperative way in which the lines are working together is much more satisfactory to us than a competitive one would be, as in the latter case the strongest lines would win out and monopolize the market.

We have not found in our many years of experience that cut-throat competition which has existed at times has been of any permanent benefit in rates, but that it impairs the efficiency and regularity of the service.

4. Thirty-one of the 117 replies, favorable to steamship agreements, offered recommendations for proposed legislation to the committee. Seventeen of these letters expressed a desire to have all ocean carriers engaged in the American trade brought under some system of Government supervision, with a view to enforcing at all times among conference lines the various contentions which they claimed for themselves as outlined in the committee's circular letter. Eight other letters desired the prohibition by legal enactment of all deferred rebate systems involving the American trade in any way, on the ground that such systems are an unnecessary adjunct to steamship conference arrangements, and constitute a pernicious practice obviously intended to prevent the free man's right of free trading. Six additional letters recommended that our present laws, which were characterized as antiquated, should be revised so as to enable Americans to buy ships in the markets of the world and operate them in our foreign trade.

Nearly all the letters, recommending Government supervision of ocean carriers, suggested that the supervisory power be intrusted to some commission like the Interstate Commerce Commission. With few exceptions, however, the writers were opposed to legislation which would require the steamship lines to file their rates with the Government and be obliged to charge the same until after a certain period of notice to make a change had been given. Such a policy was generally regarded as impossible, in view of the ever-present competition of tramp ships in our international trade, unfair to the steamship lines which require protection against the inroads of such tramps, and particularly dangerous to American exporters, who, in competing with foreign markets, are often dependent upon an immediate and favorable freight rate quotation in order to close their contracts. Instead, it was suggested generally, the conference lines should file for approval full particulars of the agreements among themselves, as well as all contracts with shippers, rates and other information, so that the properly constituted authorities may judge the reasonableness of rates, and hear any complaints of discrimination between shippers, with the power to require the correction of abuses. With such Government supervision, steamship agreements, it is asserted, would constitute a fair means of practical cooperation tending to bring about stability and efficiency, and thus prove an all-round benefit to all parties concerned.

SUMMARY OF LETTERS UNFAVORABLE TO STEAMSHIP AGREEMENTS AND CONFERENCES.

One hundred and ten of the replies received by the committee are distinctly hostile to steamship conferences as now conducted. These letters are fairly well distributed over the various divisions of our foreign trade, and in many instances represent the views of firms which do a large exporting business to many foreign markets. In the majority of instances these letters are characterized by a spirit of intense bitterness toward the steamship interests, frequently indulging in the use of the most uncomplimentary terms. Over and over again the writers assert, to use some of their own expressions, that they are in the "grasp of a monopoly," that the rates are "monstrous," and that the steamship lines are "extremely arbitrary" and adopt the "take the freight or leave it" attitude. The frequency with which these letters referred to the confidential nature of the communication is also a very noticeable feature. Despite the committee's promise, a number of the recipients of the circular letter appeared in person to state their complaint, refusing to present their case in writing. Repeatedly, the writers of the letters express a hesitation "to go into the matter in detail, because they do not know how it might affect them in business," or call attention to the fact that the communication is to be regarded as strictly confidential or that the information was volunteered only in response to the committee's promise.

For the sake of brevity, the complaints made in the above-mentioned 110 replies will be classified in the order of their importance, as judged by the number of times each is made:

1. In 73 instances, or two-thirds of the total, the writers complain of the high rates prevailing at present, and regard the recent advances in rates as out of all proportion to the increase in the cost of operation

or the demand for additional tonnage. Constant reference is made to the increase in selected rates of from 100 to 200 and 300 per cent within a few years. While many admit the difficulty of ascertaining the reasonableness of rates, practically all are loath to believe that such enormous advances in rates can possibly be justified as reasonable by any changes in the conditions surrounding the steamship business. The absence of competition in rates is generally asserted, and the feeling prevails that the rise in rates has been arbitrary, and could only have been effected by the combining of the steamship lines with this purpose in view. Many state that the rise in rates has been so great as to seriously curtail the volume of their shipments abroad. Still others take violent exception to the claim of the steamship representatives that agreements and conferences tend to bring about stability in rates, claiming that there has been no stability of rates during the last few years, but, instead, a constant succession of changes in one direction, viz, upward. The charge is also made in a number of instances that the companies have arbitrarily increased their rates without giving due notice to the trade, thus causing heavy losses on contracts for future deliveries, which were based on the freight rates prevailing at the time the contracts were made.

2. Forty-four of the letters charge discrimination in rates, and 27 discrimination in cargo space. Many of these communications, as in the case of the letters favorable to steamship agreements, frankly state that as long as the freight rates charged by the steamship companies are the same for all shippers, the size of the rate is not so material, because it is merely added to the price of the goods. But that equal treatment in rates and space accommodations generally exists is doubted, although many assert their inability to furnish the proof in this respect. The letters clearly indicate a strong current of suspicion among the shippers that certain large manufacturing firms and commission houses are receiving special rates and accommodations which are gradually undermining their ability to compete on equal terms. Moreover, one-half of the letters charging discrimination are opposed to the making of contracts with shippers by steamship companies in which the rate is based on the quantity contracted for. Such contracts are regarded as a favorite means of discrimination against the small shipper who is unable to furnish the required tonnage, and they recommend in many cases that this practice be prohibited by law. As showing the views which many shippers hold with reference to the fourth contention of the conference line representatives, as outlined in the circular letter, the following extracts from 11 of the letters are herewith reproduced:

The fourth contention outlined in your circular letter makes those of us who are in the business smile.

That special privileges and advantages do not exist is a proposition which will have to be demonstrated, as under secret understandings and gentlemen's agreements of this kind all things are possible. We should hesitate to accept this statement as a fact without thorough investigation.

We believe large shippers who are in a position to estimate their space requirements some time in advance have advantages over the small shippers who are not in this position, and are, therefore, obliged to pay the regular published rates, which do not make any difference between small and large shippers.

We feel convinced, without, however, being in a position to offer any proof, that in some form or other a few favored shippers receive concessions denied to the rest of us. There are so many facts that point to the special concessions enjoyed by a few shippers that we feel justified in a somewhat stubborn adherence to our belief in the matter, notwithstanding the assertions of the steamship companies to the contrary. If we felt we were paying the same freight rates as our larger competitors, we would be more contented.

We are of the opinion that our competitors, at least for shipments to South Africa and Australia, on account of their large volume of business, are obtaining rates considerably less than we can obtain, which to a large extent practically eliminates us from these markets. While we have no positive proof as to this, the fact that we can not secure business in competition is proof sufficient to us, that our competitors are securing lower freight rates.

The contention that shippers are treated alike, and that special privileges and advantages are not given to some and denied to others, is a statement which is not a fact, and the few contracts in your possession, made by these steamship people, is the proof thereof; and it is a well-known fact that all the large shippers enjoy special rates under contracts, which the smaller shippers can not secure, thus preventing competition. * * * If the lines are common carriers, we contend that all shippers should have the same rates, and the contracts in your possession show quite clearly that such is not the case. * * * It is true we can make contracts as well as anyone else if we have the business to offer firm, but this is to show that shippers are not treated alike, and to illustrate how difficult it is for a shipper to enter a new market against the old established concerns who have contracts, and who can keep them out of the business entirely by underquoting.

Oftentimes we are approached by special representatives claiming that they can save us freight on shipments to certain localities, explaining as a reason that they have special quotations from certain steamship lines which enable them to quote closer rates than other forwarders. It has been explained that the reason for this preference is that these forwarding houses contract for a large tonnage of freight during a season which enables them to secure better figures from the steamship company. The forwarder in turn can compete on a price basis with his competitors and also make better profits on such an arrangement. We have laid this matter before several reputable forwarders who claim that such arrangements are impossible. Still, freight quotations received from different sources indicate from time to time that there is a preference.

We are quite certain that special privileges and advantages are given to some and denied to others. We find that in the English trade the steamship lines will give a better freight rate on the same commodity to one firm than they will to another, excusing themselves on the ground that their rate is based according to the quantity contracted for. We believe this is an extremely bad practice.

It may be true, in the legal sense of the word, that shippers are treated alike, and that special privileges and advantages are not given to some and denied to others, but the practice of granting yearly contracts at a fixed rate to some, and charging higher than fixed rates to others, is a reality not to be denied.

The foreign lines in combination should not be entitled to force any shipper to sign contracts with them. They say these contracts are for good purposes, but that is a farce. The contract is simply to tie the merchant up and compel him to ship by them. These contracts should not be tolerated and the merchant should be free to ship by any line, without regard to forced contracts. This will appeal to the committee, we trust. A merchant may sign a contract, and then within a few weeks unexpected competition arises, and yet he may be compelled for 12 months to suffer through being forced into a contract he did not wish to sign. It is also well known that certain large American interests, owing to their control of enormous amounts of freight and their moneyed power, practically own several of these alien lines and derive benefits which their competitors do not secure, and such a condition is prejudicial to the merchant and the competitor of such firms, and this condition should be examined into. If a shipper, for special reasons, desires to make a contract, and an arrangement is entered into covering six months or more, outside shippers should be granted the same rate, should they ship goods of a similar character during the pendency of the existing contract.

Shippers are not treated alike. Special privileges and advantages are frequently given to some and denied to others. We have been waiting for some years for an opportunity like the present to present to some responsible arm of the Government what we conceive to be an outrageous grievance. We receive ——— from the port of ———, and the regular steamship line between that port and New York is the ——— Line. This line has for years past refused to carry cargo for us at any price. They have not clothed their refusal in so many words, but whenever applied to for room, they have told us that at that particular time their steamers happened to be running very full, or resorted to some other similar subterfuge. The fact of the matter is that they have given practically a monopoly of their space in this particular commodity to a few concerns to whom they give a rate of freight about 25 per cent lower than their published rate. If the statements we have made in this letter under the security of a responsible branch of the Government should be known to any of the interests which are injured thereby, it would probably result in reprisals and hardships, and we therefore look to you to protect the information which we give you, which is sent quite as much to help correct existing abuses as in our commercial interests.

3. Forty-two of the letters complain of inadequate tonnage facilities and irregular sailings. The writers of these letters deal principally with their difficulties in engaging space for foreign freights, and assert in many instances that they are compelled to reserve space so far in advance that shipments are unduly delayed, and their foreign customers greatly disappointed over the failure to make prompter shipments.

4. Twenty-seven replies charge that American and European rates to the same destination are not kept on a parity, to the detriment of American exports. It is to be noted, however, that less than half of these replies attempt to present any data tending to confirm the writers' reasons for this belief. A majority of the letters are general in character and merely call attention to the desirability of having some properly constituted authority investigate this subject from time to time.

5. Fourteen of the letters state that the steamship lines seem indifferent as to the landing of freight in proper condition, and that the writers have experienced endless difficulty in collecting honest claims for damaged shipments, loss of goods, or overcharges. It is charged that the lines place clauses in their bills of lading which are contrary to the Harter Act, and that they are extremely arbitrary in the making of settlements.

6. Six letters charge that the conference lines have refused to properly adjust the rates between wheat and flour to the detriment of the American flour industry. This complaint has been especially presented by the representatives of two leading associations of millers. It is charged by these representatives that no matter what lines they apply to, they find a remarkable uniformity of rates to the same foreign ports, and that the various steamship lines have one common agency in the West, as well as at the seaboard, through which freight contracts must be made. Not only have the rates increased enormously during the past two years, it is asserted, but there is a general understanding among all carriers on the ocean that they give to grain and its products equal rates, but to encourage the milling business in England, for example, wheat is carried from New York to Liverpool at 10 cents per 100 pounds plus 5 per cent primage while the flour rate is 18 cents per 100 pounds. As one of the complainants states the case:

The milling industry of this country is being seriously handicapped by the exorbitant rates charged by the steamship lines on flour to foreign countries. The Leyland

Line from Galveston, for example, is quoting rates to-day of 17½ cents per hundredweight on wheat and 25 cents per hundredweight on flour. These rates are not only very high (being fully 50 per cent higher than they have been in the recent past), but there is a discrimination in favor of wheat of 7½ cents per hundredweight, and this, it can be readily seen, enables the foreign millers to buy the wheat, make the flour, and undersell us in the foreign markets 7½ cents per hundredweight. This has the effect of building up the milling industries in the foreign countries, to the detriment of one of the biggest industries of this country. Our millers everywhere are complaining of this situation, and state that they are everywhere unable to mill wheat and compete with foreign millers under these conditions. We feel that flour and wheat should take the same ocean rate.

RECOMMENDATIONS FOR PROPOSED LEGISLATION.

Of the 110 replies, unfavorable to steamship agreements and conferences, under present conditions, 68 contain recommendations for legislation along various lines. Despite the bitterness characterizing most of the letters in this group, it is worthy of note that only 10 definitely recommend that steamship lines calling at American ports should not be allowed to be parties to conferences and pools, and that existing combinations should be dissolved and free and unrestrained competition restored. In contrast to this view, 14 of these letters definitely uphold such agreements, provided some branch of the Government is given jurisdiction to compel the conference lines to live up to their contentions. The spirit of these letters can again be best conveyed by quoting the following representative extracts:

Unrestricted competition is expensive and detrimental in the long run. Combination by them means the death of the other fellow. I believe our only hope is regulation by some administrative body appointed by the Government.

We believe written agreements and arrangements between the established lines would not be objectionable providing such agreements would be subject to control by authorities constituted by law.

It is quite possible that uniform and nonfluctuating rates are an advantage to both shipper and shipowner, as compared with unbridled and excessive competition; but, in reality, without effective supervision, the practical results derived by the shipper from hard and fast agreements between freight carriers will sooner or later prove seriously to his disadvantage. This is particularly the case during periods when carriers are handling their full capacities; and when this latter condition obtains, should the carriers be working under such agreements, there seems to be a greater hesitancy and less inclination to place more vessels on the route to take care of the crowded business. The service offered the shippers under such conditions is invariably high priced, inconvenient, and unaccommodating, including frequently incivility of treatment.

We believe in agreements, but we also believe that such agreements and pooling arrangements should be made with the full knowledge of some governmental authority to safeguard the interests of the shipper.

If the conference lines could be forced to live up to their contentions as stated in your letter, steamship agreements would be justified for the reason stated by them. Like most such uncontrolled combinations of large business, however, they have appropriated the advantages gained to themselves, without sufficient regard to shippers or the general commerce of the country, as regards competitive markets.

Thirty-five, or one-half of the 68 letters recommending legislation, express a desire for a comprehensive system of Government supervision, sufficiently broad to embrace the regulation of rates, the approval of contracts and agreements, and the general supervision of all conditions of water transportation which vitally affect the

interests of shippers. Few of the letters attempt to specify the details of their recommendations, and the large majority simply state the fact that they are convinced of the desirability of establishing a commission "similar to the Interstate Commerce Commission," which shall have general supervisory power over water carriers, and enforce among the conference lines the various contentions which they have claimed for themselves during the hearings before the committee. Only five of the letters, unfavorable to steamship agreements and conferences, display an attitude of hostility toward Government regulation. In fact, many of the answers make it clear that the writers regard the contentions of the conference line representatives advantageous to both shipper and shipowner, if they are honestly and fairly carried out, but that their experience has been to the effect that once the combination of lines is established, it is very generally used in an arbitrary and unfair way by favoring some large corporation or particular friend to the detriment of other shippers. Such discriminations and arbitrary treatment, it is believed, can only be eliminated by the establishment of some legally constituted authority which is empowered to hear complaints and to order the discontinuance of abuses.

In conclusion, it only remains to be said, that 10 of the letters favored the prohibition of special contracts between steamship lines and shippers; that 9 proposed the prohibition of deferred rebates (it will be recalled that 8 of the letters, favorable to steamship agreements, made the same recommendation); that 6 advocated Government subsidies in favor of American shipping; and that 5 recommended the adoption of a uniform and equitable bill of lading.

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